

INTERNATIONAL NEWS

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Actuaries

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Building the Actuarial Profession Internationally

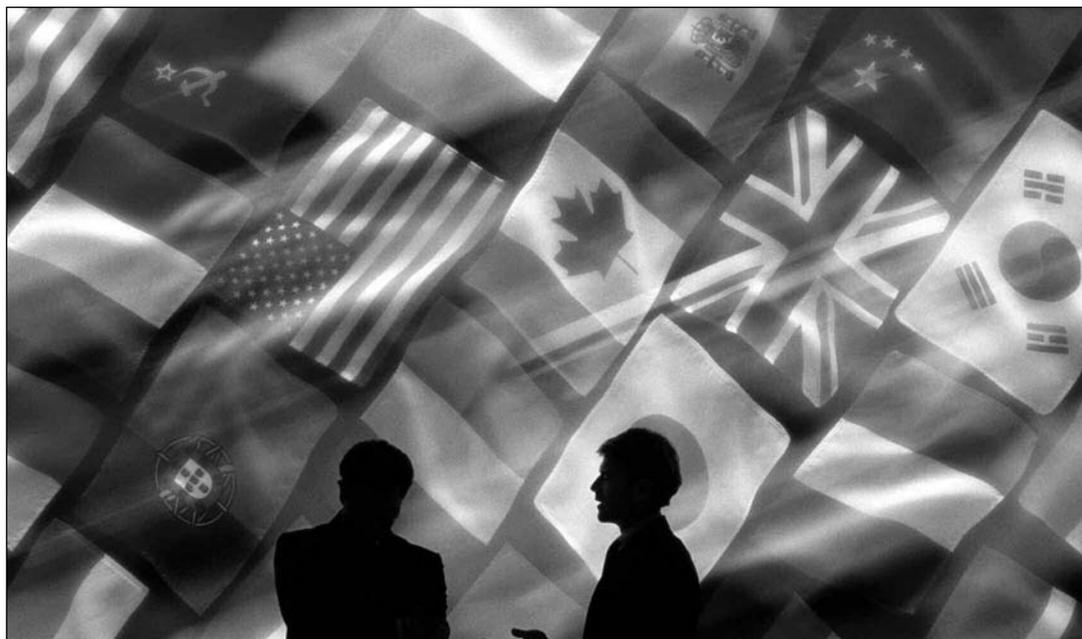
by Jean-Louis Massé

It is my pleasure to respond to a request to highlight a few major challenges currently facing the International Actuarial Association (IAA).

The first topic deals with education and examinations. The IAA has been holding discussions for some time now with various parties interested, directly or indirectly, in growing the actuarial profession internationally. The World Bank, for example, invests significant sums of money to help local economies develop and to help create financial security programs in developing countries around the world. For these programs to succeed, there is a need for local expertise and competence, as well as professionalism and ethics, in the establishment and administration of these programs. That's where, in the view expressed to us by World Bank representatives, the input of the IAA is needed to help create and grow actuarial associations in new and developing countries.

A task force composed of major players at the IAA was thus formed in November 2005 with a mission to examine the merits and the feasibility of setting up an international actuarial education and examination system. It is intended that this international system could be adopted by new (or existing) actuarial associations, if they so wish, as satisfying a number of conditions (most likely not all of them) they identify as requirements for an individual to be accredited locally as an actuary. Could a system of accreditation of universities, as exists in Australia for example, be a solution, if not in all countries, at least in major regions of the world? The obstacles to surmount are not small: many of us know from experience that it takes a small army of volunteers to run a professional education and examination system. However, the advantages are material. It may be that existing small associations,

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SOCIETY OF ACTUARIES

Editor's Note

by Catherine D. Lyn

This is our second issue for 2006. *International News* continues its mission to give readers glimpses of the continuing development of the global actuary. This issue features the travels of our president, a Texan, to the Far East, a U.S. actuary's first visit to China, a Canadian's account of the Eighth Global Conference of Actuaries in India, a Scot's move to Canada and a Jamaican's experience acquiring a degree in actuarial science in the United Kingdom.

The president of the IAA tells us about its international activities, and the Pacific Rim Actuaries Club of Toronto has provided an article on the same topic.

We have a tribute to Yuan Chang, an actuary and lawyer who has provided inspiration to many Chinese actuaries working both in North America and the Far East.

Read about the Enterprise Annuity System in China, and don't miss the second part of our series on communication.

We have a country update report from New Zealand. We are pleased to announce the Country Feature Article Competition. The grand prize is U.S. \$2,500, and we look forward to receiving entries from ALL ambassadors and other International Section members.

By the time you read this issue, many of us would have attended the International Congress of Actuaries conference in Paris. All council members and ambassadors who are attending will have a chance to meet each other and talk with the SOA president and the SOA international secretary. Our aim is to develop joint activities with the local associations in every country where there are SOA members. □



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Chairperson's Corner

by William R. Horbatt

Welcome to the summer issue of *International News*!

I want to thank all the authors for their contributions to this issue and remind them that they are all eligible to win this year's Country Feature Award (more on that elsewhere in this issue). This year the winner can use the award for any actuarial purpose, not just to attend an SOA meeting.

International Section Council members, both current and past, are diligently working to provide our members with continuing education both within and outside North America. Recognizing that we are not the

only actuarial organization serving international actuaries' needs, we are co-sponsoring a cocktail hour at the SOA annual meeting in Chicago this October with other actuarial organizations including the Chinese Actuarial Club—Chicago and New York chapters, the Pacific Rim Actuaries Club of Toronto and the Caribbean Actuarial Association.

Outside North America, the section is organizing seminars jointly with the Financial Reporting Section on U.S. GAAP with special emphasis on foreign products. Our first seminar will be in Hong Kong in October and we hope to follow up with seminars in Latin America and Central Europe. We'll keep you informed on further developments. Finally, the International Experience Study committee has organized groups of actuaries in both Brazil and Poland to study their own country's experience and we will keep trying to expand its reach to new countries.

We have a great panel of candidates for the International Section Council elections this year and, by the time you read this, members will have chosen their favorites. They will not disappoint our members, and I am sure that they will be doing great things in the near future. Please feel free to contact them and suggest new and improved activities for our section to do. □

Editorial Correction:

International News apologizes to Derek Osborne and Dr. Geraldine Kaye for errors printed in the March issue.

Derek's name was spelt incorrectly on his article, "Social Security Systems in the English-Speaking Caribbean."

Dr. Geraldine Kaye wrote the article, "Every Seven Years" and there was an error in the name of her firm. She is the founder of GAAPS International.



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burdened by their current local exam systems, would gladly adopt the IAA education and examination system to free some of their precious few volunteers (because these associations are still small) to help with other aspects of the development of the profession locally, such as the creation of standards of practice, professionalism, CPD and discipline.

The task force's recommendations are on the agenda for the May 28 IAA Council meeting in Paris. Discussions are ongoing and comments are always welcome.

Our second challenge, in my view, is on the question of standards of practice (SoPs). Approximately half of the IAA's full member associations have standards of practice, while the others do not. Here again, the size of the association is usually a major impediment in developing SoPs. Some SoPs may, over time, be developed internationally and replace local standards, but I doubt that I will see this in my lifetime. SoPs are an important tool in the protection of local publics and can be an important safe-harbor for local actuaries. SoPs protect the image of the profession worldwide. We live in a world where one person coughs and, 12 time zones away, another sneezes! We live in a world that is more sophisticated, more integrated and yet more fragile than ever. The actions of one person in some remote office can suffice to bring down a long-established, multinational corporation. As a worldwide profession, we need to cover all our angles, all of the time. My hope is that associations with SoPs will be able to provide helpful guidance to those without or developing SoPs.

Our third challenge is to grow the number of our member associations. In addition to the 55 existing full-member associations, there are 21 associate members working towards meeting all the conditions for admission as a full member. The total population of the countries covered by these associations is approximately 3.5 billion people out of a potential 6.5 billion. The big country still absent is China. The IAA is working closely with its colleagues in the Society of Actuaries of China in that regard.

Another challenge, in my view, will be to grow the IAA's ability to serve its member associations. Currently, some 200 people meet

twice a year for three days or more each time to advance the work of the IAA committees. Financial reporting and solvency measurement for insurers have been two major projects in recent years. Pensions, social security, health and risk management are likely to grow in importance in the future. We created four new sections in the last few years: health, life, pensions and Social Security, and actuaries without frontiers. International organizations, such as the International Association of Insurance Supervisors, that were barely active on anyone's radar screen five years ago, are now busy becoming significant international players. They need our help and it is in our own interest to be ready to meet increasingly greater challenges from them. It is good for the profession. It is good for the publics we serve.

A final challenge is more organizational in nature and is a consequence of some of the others mentioned above. The IAA will need to review its governance structure; it will need to introduce more efficient means of communication; it will need more staff, including actuarial support. Its appetite for more volunteers will continue to grow. At the last meeting of the presidents' forum (this group comprises the presidents of all IAA full-member associations) in November 2005, those specific points were discussed. Reports on how to move things forward are expected for discussion at our next meeting on May 28 in Paris.

On this note, we look forward to meeting many of you at the 28th International Congress of Actuaries in Paris the week of May 28 to June 2. Many exciting sessions are being planned. The opportunity to exchange with colleagues from different countries is unparalleled in the profession and, with our world rapidly globalizing, these multinational and multicultural exchanges are becoming a must for conducting business and for personal professional development. □

Editor's Note: By the time of publication, the International Congress of Actuaries meeting would have wrapped up.



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Country Feature Article Competition

by William R. Horbatt

Dear Ambassadors and International Section Members,

The International Section Council announces our **Country Feature Article Competition**. We are inviting **all** ambassadors to participate by submitting a feature article. Ambassadors can work alone or with a colleague to create the submission. The PRIZE is US\$2,000 for the writer and US\$500 for the ambassador for the feature article deemed best by the council.

All feature articles submitted will be published in the *International News*.

Markets vary by country due to such factors as local economy, regulations, consumer behaviors, social values and culture. The Country Feature Competition provides you with a forum to share interesting facts, statistics or experiences that reflect your country's special qualities. We look forward to reading your entries.

Your article can be on any topic or topics that you find informative and interesting. It might be about local actuarial organizations and activities, the actuarial profession in traditional or wider fields, financial products or the business sector in your country. It might be about a product and why it's successful or how it failed. It could be an industry event or a market situation. It could be a story or a statistical analysis. Perhaps the article would start with "Do you know that ...?" or a list of "the top 10 reasons why you would want to be an actuary in my country." The choice is yours!

Please contact any council member or myself, should you have any questions regarding the following:

Eligible Authors:

- All ambassadors and anyone they may ask to assist with the article.
- For countries without an ambassador, any International Section member who wishes to participate is welcome to do so.

Rules:

- The write-up should be no more than four pages in length, using Microsoft Word and

formatted in Times New Roman, 12-point font.

- Photos, charts, tables or graphics are encouraged for illustration. Any photo sent should be in either .jpeg, .tif or .eps format, with a print resolution of at least 300 dpi.

Deadline:

Please e-mail your submission to Martha Sikaras at msikaras@soa.org by Sept. 30, 2006. Please give full contact details for the author(s).

Selection:

The council will select a winner in early October, using criteria such as "I cannot put this down until I finish reading it," "That explains what I always wondered about XYZ," etc.

Award:

The winning ambassador/author will be announced at the International Section reception held during the October SOA Annual Meeting in Chicago.

We look forward to hearing from you. □

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Chair International Section

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Great Wall Call

by R. Thomas Herget

I spent an exciting two weeks in January experiencing the hospitality of the insurance industry in China, the world's most populous country. I toured three cities and met hundreds of actuaries. How did this come about?

In 2004, Taiping Life of Shanghai decided it would like more American experience within its company. Taiping's managing actuary, Wanchon (Wilfred) Lu volunteered to serve a year in the United States. He interviewed several companies in the United States and selected my firm, PolySystems, to gain this experience during 2005.

The concept of an "exchange actuary" was an excellent idea because we could learn about Chinese practices while Wilfred got hands-on experience dealing with American regulations, reporting and all kinds of culture.

Toward the end of Wilfred's visit, the director of the actuarial program at Fudan University, Professor Hanji Shang, contacted Wilfred to ask him if he knew of any speakers who might like to come to his school and deliver a lecture. Wilfred asked me if I would like to speak. Never having been to China, I eagerly replied yes. A topic and a business reason for this talk would materialize later.

It evolved to be two lectures in China with

different audiences. One was professional actuaries; the other was student actuaries. I chose two topics. The first was entitled "New books for your financial library from the IAS and SOA." This addressed new accounting ideas from the International Accounting Standards Board plus overviews of two recently-published books from the Society of Actuaries. These tomes were *US GAAP for Life Insurers, second edition* and *Insurance Industry Mergers & Acquisitions*. The theme for the students was Skills and Traits an employer looks for. Arrangements were made for presentations in three cities: Shanghai, Beijing and Hong Kong.

At Fudan University in Shanghai, the professors, senior actuaries and I enjoyed tea prior to the lecture. At the presentation, there was a huge poster that welcomed me (so I presume) to the university. (See the photo below.)

The lecture focused on the impact of different accounting bases on a simple product. To assure comfort with the approach, we first looked at balance sheets and income statements for a new product under Chinese statutory accounting principles. We then looked at how this differs from U.S. statutory accounting principles. Both bases displayed losses in the initial year followed by profits. The next step was to look at this product under an embedded value approach, capitalizing the present value of distributable earnings as an asset. Earnings in the first year were significantly positive.

We then moved to how this product looked under U.S. GAAP. Naturally, profit emerged on a level basis. We then moved to IAS's entry value method, which showed no profits at issue. Finally, illustrations with financials using the exit-value method were presented, revealing a healthy first-year profit, since it was deemed to be a favorable era for buying and selling blocks of business.

The participants got to see the wide range of earnings patterns under six approaches.



Tom Herget speaks at Fudan University in Shanghai.

Year one was most revealing. One extreme showed devastating losses in the first year while the other extreme showed profits in the first year that exceeded the cumulative profits that would be ultimately reported. We took a second look at this accounting picture assuming a shock in experience in year three.

There was a lot to digest, both at this speech and at the following dinner in which ten of us enjoyed a traditional 20-course Chinese meal.

Shanghai is both an ancient and a modern city. Downtown, buildings built by Europeans in the 1900s graced one side of the river while across the water were the modern, gleaming structures reflecting contemporary Chinese architecture. What was the most popular car? Buick. What was the restaurant that appeared the most? KFC (Kentucky Fried Chicken).

The next day I talked to the students at Fudan. A few days later I would address students at Peking University. These students were not bashful. We had lively discussions as they posed good questions:

- How do you become a Governor?
- Is accounting important?
- What happened to exam discounts?
- Why are exam fees so high?
- What happened to professional development?
- Which is more important, a pricing actuary or valuation actuary?
- What is new with risk management?
- What is most important to students to be a good actuary?
- Is continuing education coming to Asia more often?
- What do you think of Chinese actuaries?
- In which industries can actuaries work?
- What is better, CFA, MBA or FSA?
- What are you doing about FRM?
- What are the best ways to analyze cash flows?
- Tell me about actuarial software.
- Why can't the SOA do more to help find us jobs as interns?
- There is only one chief actuary in a company; what are all the others doing?



From left to right: Wilfred Wanchun Lu, Debin Chen, Secretary of Shanghai Insurance Industry Association; Hanji Shang, Professor of Fudan University, director of Fudan University Actuarial Center; Tom Herget; Won How Lo, Chief Actuary of China Pacific Insurance Group; Yuanhan John Zhang, Chief Actuary of Citi Insurance in Shanghai; and Zhigang Xie, Professor of Shanghai Finance & Economics University.

The cost of exams and the paucity of discounts were a major issue. I asked, “Why should I, as a U.S. businessman, support subsidies for you? You yourselves look pretty prosperous.” The students quickly countered that I should see the countryside from where they came; the poverty is evident and prevalent outside the cities. Most students were taking loans to complete college. I felt that the students I met here could do well in the busi-

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From left to right: Tom Herget, Yaojun Wang, Chen Yi, and Fangfang Wu.

ness world. I urged them to adapt to the local culture, wherever they landed.

It was a pleasure to meet the students and faculty at two of China's very top universities.

I enjoyed the cuisine as well in these Chinese cities. The menus boasted both familiar and somewhat exotic fare. I wasn't bold enough to try the Strange Taste Cashew Nut, Brined Goose Head, Hairy Crab, Stir Fired Mud Eel, Crispy Young Pigeon, Braised Pig Blood or the Dry Bull Frog.

For the country that invented the queue, there really weren't too many lines. You had to bull your way to the front and act like a New Yorker to hail a cab.

I don't think I'd ever drive in the big cities of China. It's every man, woman, child and bicycle for themselves, literally. Obedience to traffic lights is expected for vehicles but optional for pedestrians. Crossing the street should be an Olympic sport.

The hotels that catered to foreigners had many employees to help out. Each room had a card that said "return me to the hotel at such-and-such address," printed in both Chinese and English. Don't leave your room without it!

In Beijing I met with actuaries who were employed by life companies, by the government and then with those still studying in the university. It wasn't the cold that created their high-energy level; it was the deadlines.

Work-wise, things are similar to conditions in the United States. The actuaries have to work hard to meet many deadlines. Generally, the actuaries are much younger since the industry's birth was coterminous with the introduction of capitalism 10 to 15 years ago. Of course, there are some differences. One company has 600,000 sales agents! Not policyholders, sales agents.

The final leg of the trip was Hong Kong. Its temperature was a welcome uptick from the cold climes of the mainland. This former western outpost has not yet entirely integrated into China. It still has its own currency, and people drive their cars on the British side of the road. The expatriate community has dwindled significantly.

The Actuarial Society of Hong Kong was very hospitable. The standing-room-only crowd of a hundred ASAs and FSAs peppered me with more questions about the direction of IAS accounting. We also spent time looking at the contents of the two new SOA books.

We discussed the 200 new pages in the second edition of the GAAP textbook. These comprised SOP 03-1, high lapse rates causing negative reserves, equity indexed annuities, searching for embedded derivatives, SFAS 141 and SFAS 142 business combinations and goodwill, reinsurance, SFAS 133 and DIG B36, insights on fair value reporting, new foreign product discussions and financial statement presentations.

We then reviewed the contents of the Mergers and Acquisitions book, focusing on the procedures and end products for due diligence as well as the essentials of integrations.

I think more professionals should consider visiting this country. Its actuaries are eager to learn and exchange ideas and opinions. They are eager to take their place in China's economy and after that, around the world as well. Now is a good time to get to know them. □



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Pacific Rim Gala Banquet – Keynote Address

by Paul Chow

The International Actuarial Association (IAA) began in 1895 as an association of individual actuaries under the name the “Permanent Committee of International Congresses of Actuaries,” with a meeting held in Brussels. The name International Actuarial Association was adopted in 1968.

In 1998, a major restructuring occurred and the IAA became an organization of actuarial associations, rather than an association of individual actuaries. There are currently more than 50 Full-Member Associations (FMAs) that meet certain codes of conduct, a disciplinary process and minimum education guidelines. For example, the Society of Actuaries is an FMA of the IAA. Associations that do not meet FMA requirements can still participate as observers and are named Associate Member Associations. Actuaries who are members of a FMA are automatically members of the IAA.

Mr. Jean-Louis Massé is the current president of the IAA, and he was a guest speaker earlier this year at the Pacific Rim Actuaries’ Club of Toronto gala banquet. He spoke about “Building the Actuarial Profession Internationally,” and most of this article is based on his presentation.

The IAA helps to build the actuarial profession internationally by enhancing the reputation of actuaries in various geographic locations, promoting high standards of practice and promoting education of actuaries. With the restructuring of the IAA, some of the responsibilities are shared with various member associations.

The IAA works with the member associations to ensure that minimum education guidelines are met. There is a global core syllabus that is approved by the IAA. This is supplemented by local topics, such as social security programs, legislation and language. Smaller local associations can focus on country-specific education. In addition, there may be more conditions and



minimum local-experience requirements for actuaries rendering opinions.

With limited resources to develop comprehensive education and examination systems, education is one of the major challenges for new actuarial associations. They often rely on E&E systems that are available internationally so that they can focus on country-specific materials and examinations.

The IAA promotes international standards of practice among actuaries, and is therefore aligned with regulators and accountants in serving the international community. The IAA also recommends country-specific standards of practice to protect the local clients, local actuaries and the image of our profession both locally and internationally. Almost half of the existing actuarial associations have no formal standards of practice. Therefore, the IAA is trying to develop practice guidelines on an international basis. The IAA would like to move to a platform that allows it to set compulsory international standards.

With fewer than 50 countries served by IAA member associations, there is a lot of room to expand the services of our profession. Actuaries have the skills to help local economies to grow by developing public and private programs that promote savings. These financial programs need to be sound and to be operated by skilled and

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Studying in London, a Jamaican's Experience

by Myiah Gauntlett



I kissed my fiancé goodbye at the airport in Jamaica. I was about to depart to London for the first time in my life. It was an emotional experience knowing that we were about to be separated for a year and a half. Sitting in a plane for nine hours did not help the situation that much, as it left too much time for reflection. Upon arrival in London, I boarded a bus to Luton, where I intended to live. The bus ride allowed me to see the beauty and greenness of England's countryside. It reminded me of the words in Elton John's dedication to Princess Diana, "footsteps will always fall here along England's greenest fields..."

Stepping into City University London – Cass Business School was like a dream come true. I always imagined studying in England and although it was not Oxford as in my dreams, City University of London – Cass Business School was like the Oxford of actuarial science to me, and I was proud to be there. There were people from all races and nations at my school, which was much different from living in Jamaica. On the first day I attended a social function where I was able to meet quite a number of different people.

I was impressed by the quality of teaching at the school. There was a certain

standard of decorum that was displayed by the faculty staff. We had two, one-year-long courses, which I thought should be lifelong courses because of the difficulty. They were stochastic calculus and financial mathematics. The other courses were more manageable. Overall the lecturers did a great job.

To attend City University London—Cass Business School I had to travel from Luton to London. The return fare was 18 Great Britain pounds. I realized I had to move as the little money I had dwindled quickly traveling from Luton to London. I ended up sharing a two-bedroom flat in Euston, with four others. For someone who was used to having his own bedroom, it was a bit strange but I quickly adjusted. I shared the flat with an Irish man, a Chinese man, a Thai and a South African. I learned to say, "I love you" to my fiancé in four different languages as one of my flat mates was dating a Korean.

The different cultures in my flat reflected London in general. I felt that the national motto of my country, Jamaica, "Out of many, one people," was more appropriate for London. All of my flat mates helped me in whatever way possible and this included finding a job. I tried three different part-time jobs before I found one that paid enough to cover all my bills. One of my part-time jobs was working at the Chelsea Football Club (Americans call the game soccer). Due to the fact I was good in mathematics, I was quickly promoted to the cash register, which allowed me to watch the games. I learned that soccer is another religion in England. Some good advice: try not to be at the train station when the home team has lost a match.

My main part-time job was working at a Jamaican money transfer agent, which was a home away from home. This job provided me with the extra funds to afford seeing some of the sights of London and England and sampling new activities. I was able to go to the theater, bowling (which we don't have in Jamaica), ice skating (which I'll never do again), and paintball shooting. I also visited the Isle of Wight, and spent a weekend in Telford and Stevenage. These will always be memorable experiences.

I made quite a number of friends. I got to understand why on the passing list you see many Chinese names. My Chinese friends studied hard and worked together as a team, a method I quickly adopted. I met someone of the Jewish faith for the first time. I found out from a Korean friend that all boys in Korea had to join the army at a certain age. He told me about the effect it could have on you. I was especially grateful for the friendships I made with people from Africa. We were able to relate well and their stories brought me so much closer to Africa, the continent of my ancestors many years ago.

We quickly formed study alliances in order to achieve the ultimate prize of being exempted from all nine of the 100 series examinations of the Faculty & Institute of Actuaries and graduating with a distinction. Most people went after just getting six of the nine exemptions, but coming to London to study was a major sacrifice for those from developing countries, so six exemptions was not good enough. We developed a study plan, even gave the plan a special name and went all out to accomplish the goal. Upon graduation, I was lucky to be exempted from all nine exams, plus I earned a distinction.

Another dream was to get actuarial work experience in London. This was more difficult because I needed a work visa, plus it was very difficult to get interviews for actuarial positions. However, on reflection now three years later, I am happy to have come home to my fiancé (now my wife) and family and my current career. This adventure was very worthwhile. My studies abroad gave me a good technical grounding for a career in the actuarial field and the start of my global orientation to an ever-changing world. □

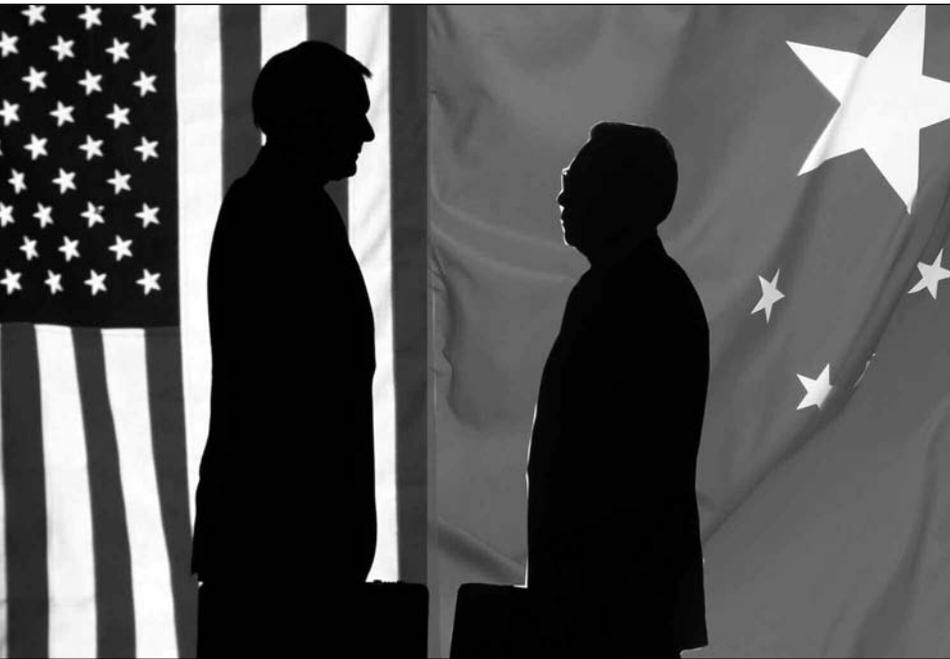
The different cultures in my flat reflected London in general. I felt that the national motto of my country, Jamaica, "Out of many, one people" was more appropriate for London.



Myiah Lloyd Gauntlett, is an actuarial analyst with Coke & Associates/Eckler Partners in Jamaica, West Indies. He can be reached at MGauntlett@eckler.ca.

The Far East—A Texan's Perspective

by Robert M. Beuerlein, President of the Society of Actuaries



A few months ago, I had the opportunity to visit some of the magnificent lands of the Far East ... a destination 14 time zones away and many times the size of my home state of Texas. What might a president of the SOA learn about the actuarial profession in Shanghai, Beijing, Hong Kong and Taipei...locations that contain more than 6 percent of the SOA membership? And what might a Texan learn about a part of the world with a population of about 70 times the number of people in Texas?

Global Profession

In December 2005, it became immediately apparent to me as I spoke with actuaries in Shanghai and attended the International Mortality Conference in Beijing that the actuarial profession is global. Although we may speak different languages and come from different backgrounds, the thoughts and concerns of actuaries are universal. For example, at the Beijing conference, presentations were made by high-ranking Chinese government officials and actuaries as well as by actuaries from the United Kingdom, Hong Kong and the United States. The commonality of our thought processes for developing mortality tables to be used for regulatory purposes

was remarkable. In spite of the fact that the United Kingdom has been considering this topic since the days of the Northampton Tables, and the Chinese actuaries are relatively new to this arena, the discussions felt amazingly comfortable from an actuarial standpoint. Oceans may separate us, but our core ideas about dealing with large amounts of data and solving intricate problems span the globe.

In Hong Kong, I was impressed by the thoughts of some regulators as we explored ways that actuaries can benefit society. Their views of the actuarial profession affirmed my beliefs that actuaries are more than mathematically adept business people. Actuaries have the ability to influence the direction and stability of the financial security of all people. We can do this if we will accept the challenge and work with elected officials and the business leaders to provide this service. And in Taipei, a symposium for Appointed Actuaries highlighted the importance that the actuarial profession continues to play in conjunction with the regulators...ensuring the long-term stability of the insurance industry as it provides guaranteed security to policyholders.

Image of Actuaries

As I spoke to a number of university actuarial classes and local groups of actuaries, there was a continued grassroots interest in the image campaign that the SOA has spearheaded. Similar to the sentiment in North America, there is a great thirst and hunger from actuaries to understand what our profession can be in the 21st century, which may be vastly different from the actuarial profession of the 20th century. Young actuaries, with their entire career before them, are wondering how they can make a bigger difference in the world than some of their predecessors in the profession have done. The opportunities are great! In the People's Republic of China, we have hundreds of actuaries now, but we need thousands of actuaries and possibly tens of thousands of actuaries to address the opportunities

available. The vision of being an integral part of the global business community is being embraced by actuaries in all parts of the world.

International Actuaries

Numerous times during my trip, I had discussions with actuaries, both students and veterans, about the need for “international actuaries” in our profession. In this context, an international actuary is one who has worked as an actuary in numerous countries and cultures. Thus, this person has had the opportunity to become immersed in the day-to-day thought processes of the actuaries and business leaders in that specific country. In these discussions, we decided that an actuary with good, general enterprise risk management skills could adapt to a wide range of these situations.

What does an international actuary look like? An example of such an actuary might be a person from Hong Kong who attends school in the United States or the United Kingdom, then moves to Texas for five years, then to New York or Toronto for five years and then back to Hong Kong. Similarly, a North American actuary might work for several years each in Shanghai, Hong Kong, London and New York.

Do we have many actuaries currently with this background? No. Will the global economy encourage more actuaries to do this? Yes. I suspect that in the next 10 to 15 years, multi-country insurance companies (and non-insurance companies) and consulting firms will see the value in developing international actuaries.

What Can We Do?

Many members of the SOA International Section have already had the experiences that I have mentioned. Whether you have or not, there are many opportunities for the global actuarial profession:

- Language and location should not be barriers to the development of our profession globally. We are a relatively small profession, in terms of numbers, that can have

an enormous impact on the world if all actuaries around the globe can work together in developing new ideas, research and techniques. The SOA International Section is a great focal point for developing these synergies.

- The image of the actuary could use some improvement around the globe. The SOA has done a wonderful job of getting this initiative started in North America. Now we need to get actuaries from all locations and all backgrounds involved in the campaign. I am pleased to report that in the last few weeks, the China Region Committee has requested more information on how they can build on this campaign, and I am sure they will be successful.
- International actuaries currently are a rarity, although the group reading this article may be an exception. North American actuaries must experience the world and cultures outside of North America and actuaries from the Far East must do similarly in the West. Enterprise risk management offers a common framework to provide these opportunities for the development of truly international actuaries.

Texas versus Far East

At the beginning of this article, I posed the question about what a Texan might learn from traveling to the Far East. Texans take great pride in many things, particularly Tex-Mex food and Texan hospitality. In my travels the food was phenomenal. Although I did not always know what I was eating, the cuisine was exquisite and very enjoyable. And at the risk of losing our Texas citizenships, my wife and I would rank the hospitality of all of our hosts—the actuaries, the SOA staff and my AIG colleagues—at a level a notch above our famous Texan hospitality. □

International Actuaries are currently a rarity, although the group reading this article may be an exception. North American actuaries must experience the world and cultures outside of North America and actuaries from the Far East must do similarly in the West.



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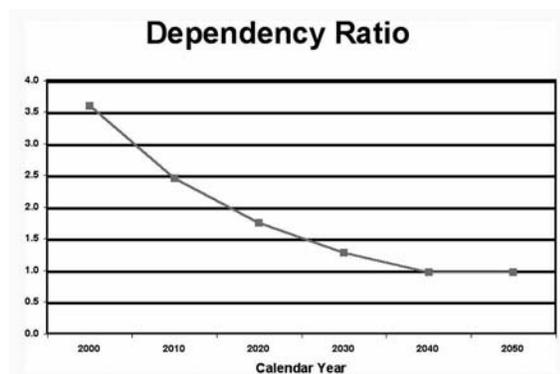
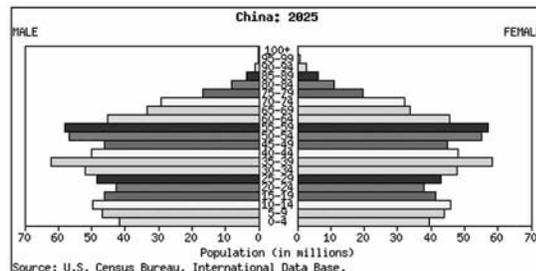
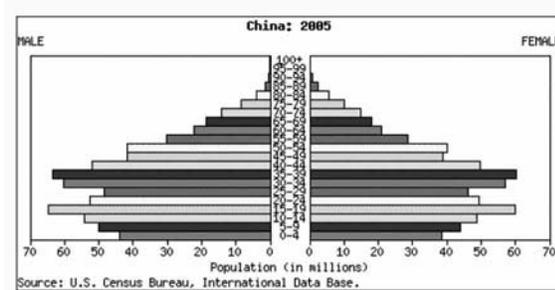
Enterprise Annuity in China

by Michael Sze

Introduction

Because of the one-child policy introduced at the end of 1970, and the rapid increase in life expectancy of the Chinese population (increasing from less than 40 years before 1949 to 71.4 years in 2004), China's demographic characteristics have changed radically in the last 30 years. During this period, China's demography has changed from one of "high birth rate, low death rate, and high growth rate" to that of "low birth rate, low death rate, and low growth rate," a transformation that took many developed countries nearly a century to complete.

This demographic trend has tremendous impact on the projected population in China.



The two graphs in the lower left column summarize the population in 2005 and the projected one in 2025.

In the next 20 years, the bulge in the population graph of 2005, representing the working population between ages 15 and 34, is expected to move upwards to pre retirement ages between 35 and 54. The proportion of retired population is also expected to increase substantially. If the low retirement age policy described in the next paragraph is not changed, this aging trend will result in a steady decrease in the dependency ratio (defined as the ratio of the number of workers for each retiree) from 3.1 in 2000 to 1.0 in 2040.

These changes have led to the introduction of a new retirement system, one element of which is the Enterprise Annuity Plan. This is a defined-contribution plan, that supplements the employee's basic pension.

Retirement System

The retirement system before 1997 (often termed "the iron bowl") provided generous pensions of 80 percent of pay before retirement to employees of state-owned enterprises retiring on age 60 for males, and 50 or 55 for females after 15 years of service. The pensions for retirees from the civil service and public institutions are higher than 90 percent of pay. Such pensions are indexed according to the average national wage increase every year. The pensions are financed on a PAYGO (pay as you go) basis. With a rapidly aging population and decreasing dependency ratios, such generous pensions are clearly not sustainable.

The State Council Decree 26 of July 1997 introduced a three-pillar retirement system.

- *Pillar 1* (Basic pension) consists of two mandatory components:
 - Pillar 1A provides a defined benefit of 20 percent average provincial wage;
 - Pillar 1B credits a notional defined contribution of 11 percent of wage to each individual account (IA). On retirement, a defined-benefit pension equal to IA balance / 120 is paid to the retiree.
- The required contribution for the employer is 20 percent of pay (with 17 percent intended for the Social Pooled

Fund (SPF) of Pillar 1A, and 3 percent for IA of Pillar 1B). The required contribution for the employee is 8 percent of pay for IA.

- Targeted replacement rate is 58.5 percent of City Average Salary (20 percent from SPF, and 38.5 percent from IA).
- All contributions are tax deductible, investment returns in SPF and IA are tax-exempt, and all benefit payments are tax-exempt.
- Participation in Pillar 1 is below 50 percent, and there are severe funding shortfalls requiring diversion of IA contributions to cover SPF cash-flow shortfalls.
- Pilot projects were carried out in Liaoning, Helongjiang, and Jilin, aiming to fully fund the IA. The projects were considered to be very successful, but required substantial subsidy from the State.
- *Pillar 2:* Enterprise Annuity (EA) is a voluntary fully funded defined contribution program for a plan sponsor who has already complied with Pillar 1 contribution requirements. EA will be discussed in greater detail in the rest of the paper.
- *Pillar 3:* This is a voluntary unregistered defined contribution program, which supplements Pillars 1 and 2.

Key Provisions of Enterprise Annuity

- Employers fulfilling Pillar 1 contribution requirements may establish an EA subject to approval of the employee union or representatives.
- All EA plans must be approved and registered with the Ministry of Labor and Social Security (MOLSS).
- Eligibility:
Employees may participate in the EA plan after satisfying some eligibility requirements.
- Contributions:
 - Both employer and employees may contribute.
 - Total employer's annual contributions must not exceed 1/12 of the previous year's total payroll.

- Total of employer's and employees' annual contributions must not exceed 1/6 of the previous year's total payroll.

- Allocation of contributions:
 - All contributions are forwarded to the custodian in a lump sum.
 - The record keeper will then allocate the employee contributions to the individual account.
 - Allocation of employee contributions must be equal to the individual's own contributions.
 - There is a great deal of flexibility in the allocation of employer contributions.
- Accrued benefits:
 - Employee accounts are credited with the total of employer and employee contributions plus investment returns.
 - There may be vesting requirements for employer contributions and investment returns thereof.
- Benefit payments:
 - Employees are eligible for benefit payments upon reaching the normal retirement age, emigration from China or death.
 - Benefits, equal to the total accrued benefits, are payable in a lump sum or in monthly payments.
 - Upon employee termination, the vested portion of individual accounts is portable to the EA plan of the new employer, if such a plan is available. If not, the benefit remains with the former employer.

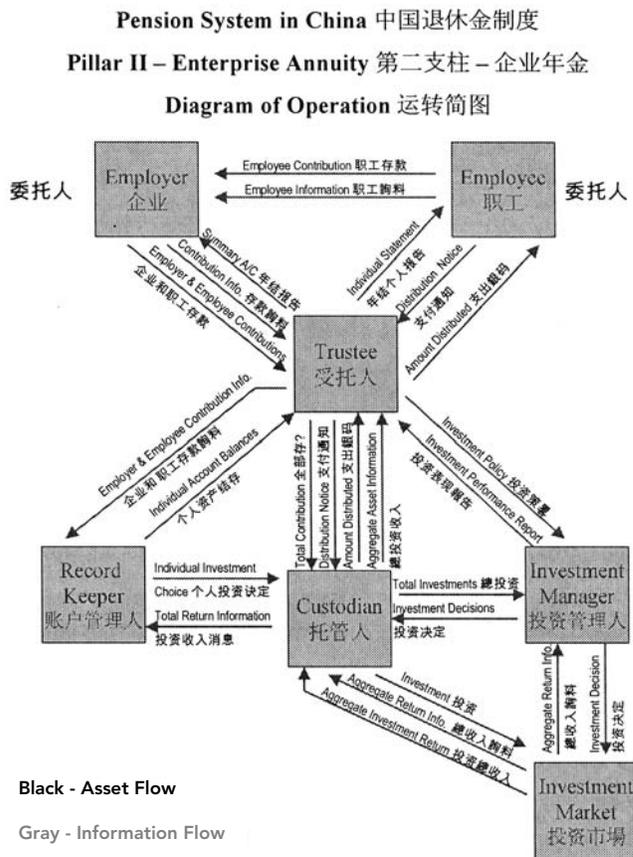
All EA plans must be approved and registered with the Ministry of Labor and Social Security (MOLSS).

As shown in the diagram on page 16, the administrative structure of an EA consists of the following major components:

- The employer is the sponsor of the EA plan.
- The employer and the employee union or representatives form the managing council (MC) of the EA. This MC is the administrator of the EA.
- The MC may either be the trustee or delegate a third party professional organization to be the trustee.
- The trustee chooses the record keeper, the custodian, and the investment manager to perform the respective functions of EA operation.

continued on page 16

Administrative Structure of an Enterprise Annuity Plan



Criteria for Measuring Success in Enterprise Annuity

The degree of success of EA must be analyzed in relation to the three points mentioned in the paragraph above.

- For point 1, to enhance the security of the retirement system, it is important that there be adequate safety in the investment of the EA funds. For this purpose, conservative investment allocation limits are set:
 - Money market instrument must be more than 20 percent of total investment
 - Fixed income investment must be between 20 percent to 50 percent, with at least 20 percent in government bonds
 - Equity investment must not exceed 30 percent, stocks must not exceed 20 percent
 - No foreign investments are allowed
 - Investment managers must set aside 20 percent of fees in reserve for excessive investment losses

- The degree of success in regard to point 2 depends on the investment return achieved by the EA fund. The results must be analyzed in relation to the retirement benefit expected to be provided by EA, expressed as a percentage of the pay before retirement (called pay replacement ratio PRR). The projected PRR depends on the relation between pay increases and investments returns. For a full career employee with 10 percent contributions into his account each year from age 30 to retirement at age 60, the following table shows some expected results:

Table 1

Investment Returns	Pay Increases	Expected PRR
8 percent	5 percent	42 percent
5 percent	5 percent	23 percent
5 percent	8 percent	13 percent

The above table points out that a long-term investment policy must be set in relation to the pay increases expected. Ultra conservative

Importance of Enterprise Annuity

Success of EA is very important to China for the following reasons:

1. Because of the funding shortfall of Pillar 1 programs, a fully funded Pillar 2 can help ease the pressure on Pillar 1.
2. Pillar 1A and Pillar 1B are meant to provide basic floor benefits for employees. The higher paid employees need EA to supplement the benefits provided by Pillar 1.
3. A successful EA system will induce more savings among the population. The EA funds will be a useful element in financing the capital market economy of China.

investment strategies may lead to an unattractive EA program.

➤ There is a lot of enthusiasm and anticipation about business and investment opportunities in EA. Many banks, insurance companies, trust companies, security companies and mutual companies have competed for registration for various administrative duties related to the EA. We understand that about 40 licenses have already been issued to organizations for these administrative duties. Annual contributions are estimated to range between five and 10 billion dollars. The total EA funds are expected to be between 60 and 120 billion dollars by 2020. EA is expected to produce a considerable amount of assets for the capital market. Thus EA is expected to be successful according to point 3.

Major Issues for Enterprise Annuity

1. **Governance issue:** It is important for each administrative organization of EA to know its responsibilities. As shown in the Diagram of Operation on page 16, the key administrative organization of the EA system is the Trustee. It has fiduciary responsibilities toward the MC and the employees. It can delegate some work to the other organizations. However the fiduciary responsibilities still rest with it. It is important for the Trustee to satisfy the following requirements:
 - a. To have undergone a stringent licensing process to ensure it has the expertise to perform the work;
 - b. To be bonded or to be covered by surety insurance;
 - c. To be closely supervised by the regulator through regular disclosure requirements;
 - d. To be audited annually by an external auditor.
2. **Taxation issue:** The tax structure of the EA has not been clarified to date. It is important that the tax structure be clearly stated.
3. **Supervision issue:** To encourage greater participation in EA, there must be more flexibility given to those EA programs that are well managed. At the same time those

badly managed EA programs must be closely monitored. This requires a risk-based supervision system, which will distinguish the well-managed EA from the badly managed. To operate such a system, the regulating officers must be well educated in the operation of EA, and in the risk factors in investment and the operation of EA. A comprehensive and robust IT system and an efficient analysis procedure are also essential for risk-based supervision.

4. **Education:** Educating the various organizations administering the EA will enhance the efficiency of the system and reduce unintended errors. Educating the public will enhance appreciation of the EA system and promote better utilization of the EA program.
5. **Investment:** Investment is key to the success of the EA operation since better investment returns should provide larger benefits for a given contribution rate. The objectives, procedures, and limitations must be clearly stated in the investment policy. The investment manager must be chosen carefully and objectively. Furthermore, investments must be monitored carefully through regular reports and meetings. Any necessary corrective action must be taken promptly. In setting the investment policy, there should be a balance between risk and return, which must be analyzed in relation to the objectives and constraints of the EA fund.

Conclusion

The success of Enterprise Annuity is of vital importance to China. In order to be successful, special attention must be paid to the governance issue, and investment policy must be set in accordance with the objectives and constraints of the EA fund. Risk-based supervision will enhance the efficiency of the EA system. Intensive education is needed at all levels. □



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The Challenges and Rewards of an Overseas Move

by Catherine Robertson



One of the advantages of being an actuary is the portability of the knowledge. From calculating a present value to valuing a pension plan, the mechanics of doing so are the same the world over. This is just one of the reasons why an international move is both possible and realistic in the actuarial field. This article explores the challenges and rewards that come with such a move.

I'm a Scot, born and bred. I graduated from Glasgow University then moved to Edinburgh to take up a job as an actuarial trainee with an insurance company, working in the pensions field. I qualified as an FFA (Fellow of the Faculty of Actuaries) in 1999. I love Scotland and I enjoyed my job, yet my feet yearned to explore, to see what the world had to offer.

I moved to Toronto in mid 2002 to take up a position with a consultancy and I haven't looked back since. Of course I miss my family and friends, but an overseas move has so much to offer. Just don't leap in too fast. With all such moves, do your homework first.

Those Pesky Exams

For me the exams were rapidly becoming a distant memory, a nice "I'm glad I don't have to go through that ever again" sentiment. The possibility of an international move brought me out in a sweat at the thought of having to start the exams from the beginning.

Luckily the Society of Actuaries, the Casualty Actuarial Society, the Canadian Institute of Actuaries, the Institute and Faculty of Actuaries in the United Kingdom

and Institute of Actuaries of Australia, amongst others, have mutual recognition agreements in place that allow for an international move without needing to start the exams from scratch. The conditions vary depending on which country you are coming from and which you are going to. In my case, I needed to prove I had amassed at least three years of actuarial experience (with my experience in the United Kingdom counting), at least 18 months of Canadian-specific experience and pass one exam, a professionalism type course related to my area of practice and specific to Canadian legislation.

From my point of view, one exam was not much to ask, especially given the alternative. I would like to take this opportunity to express my thanks to those in the actuarial profession who made mutual recognition a reality!

Will You Even Get There in the First Place?

The exam situation was first on my priority list when I was contemplating an international move, but a close second was whether I could actually move overseas in the first place. The availability of work permits and permanent immigration, should you wish to stay, is the subject of an entirely different article, which would probably fill this entire publication! Suffice to say, you obviously need to research whether the nice immigration people are going to let you into your chosen country, how long they will let you stay and under what conditions. I knew early on that I wanted to stay in Canada rather than make my move a secondment abroad for a few years. At one stage, I felt I had enough knowledge of the Canadian immigration process to become an immigration lawyer as a secondary career!

The Big Clean Out

So you've got the go ahead, and you're packing up your desk before you leave your current job to start your new life. With me, I pretty much took those black bags and threw out everything I didn't think my colleagues would be able to use. I saw the whole process as a cleansing—out with the old, in with the new. How much did I really want to take overseas with me? We all accumulate so much over the course of our lives that it seemed like a good

idea at the time to purge. Big mistake! My first task after I started my new job in Canada was to prepare accounting figures under FRS17 (the U.K. standard at the time) for an international client! I wept at the thought of all the personal notes and accumulated articles that I had thrown away. The client got their figures, but I'm still trying to replicate all the notes and examples I had. A lesson learned the hard way!

The Work Itself

On the whole my experience has been very positive. As I mentioned at the start of the article, the mechanics of actuarial calculations are the same the world over, so all you need to familiarise yourself with is the local legislation. However, this isn't always as simple as it sounds. Take my experiences of Canada for instance, in comparison to the United Kingdom. In the United Kingdom, I was used to one set of legislation that applied regardless of where in the country the employer was based. In Canada, the legislation varies depending on the province or territory in which most of the employees reside. Sounds simple enough, but when you factor in the administrative processes that should be based on the province or territory in which the employee resides, you have an additional layer of complexity. I do have to say that the Canadians make it easier to find the relevant legislation than the United Kingdom does!

A Word of Caution

Regardless of whether you intend an overseas move to be a secondment for a few years or a permanent move, the reality is that you will most likely see a temporary stall in your career. This may come either when you first move (if you intend to stay) or when you return (if on a secondment). Hopefully, this will only be a temporary setback that you can overcome in leaps and bounds with your newfound international experience. With a move where you intend to stay, the time taken to acquire your actuarial designation in your new country may set you back temporarily because initially you do not have the ability to work at the same level as you worked before your move. You also need to take the time to build up contacts again. Hopefully, with a secondment, the experiences you bring back will be beneficial. However, you need to make sure that you are keeping up to date with changes that were occurring in your country while you were away.

Life Outside the Office

Working abroad can be great, but remember that you will probably spend more time outside the office than inside it—unless you're a real workaholic. If you have a family, there are all kinds of issues related to your spouse and children—work, school, loss of their friends, etc. If you don't have a family, then you will be truly alone until you make a new social network.

Either way, there are personal challenges involved. I moved with my husband (but no children). He found it very difficult to get permanent work in his field with lack of local experience frequently being cited as a problem. However, for anyone with any work experience, temporary work is very easy to find and can lead very quickly to a permanent job offer.

With fewer local friends and family, you can end up with a lot of free time. We used this time to travel a lot. Most weekends we would just pick somewhere on the map and jump in the car. It gave us time to be together, as well as to see more of our new homeland and gave us an appreciation for the sheer size of Canada!

The Rewards

At the end of the day though, it is difficult to argue that the experience of working overseas does not bring more positive experiences than negative. The expertise that you can bring to the table initially may lead to opportunities for your new company that it previously may not have been able to take advantage of. This can lead to personal growth as you are presented with new opportunities. Day-to-day work life can become more interesting as you have the opportunity to become involved with more projects that may otherwise not have been open to you. Outside of your work, you may be able to promote the actuarial profession among those who may not have seen such a path as open to them.

At the End of the Day

I can't think of a bad thing to say about my move. I've met people I may otherwise never have met, I've gained knowledge I may otherwise never have been exposed to and I've had fun exploring a new country. My advice to anyone contemplating a move overseas would be to go for it. You don't need to set out to stay forever, but you may just find yourself not wanting to go home. □

Day-to-day work life can become more interesting as you have the opportunity to become involved with more projects that may otherwise not have been open to you.

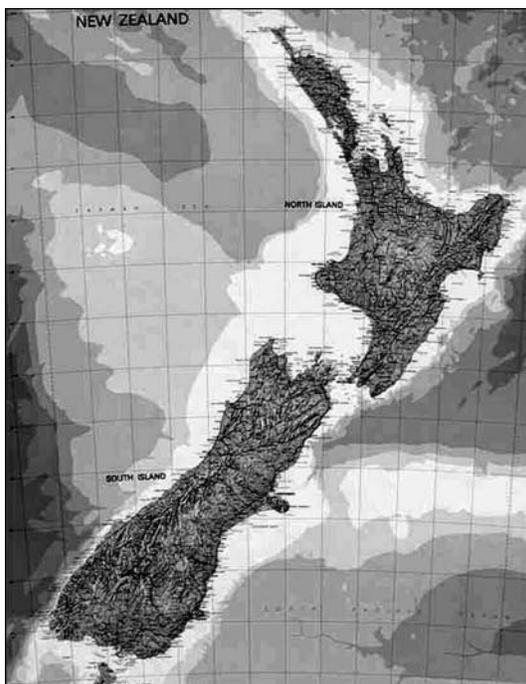


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New Zealand's Ambassador Report – January 2006

by Richard Geisler

New Zealand sits astride the Australian and Pacific tectonic plates, which produced our spectacular mountain ranges. As the plates continue to grind together we can offer visitors a walk through fascinating areas of visible geothermal activity (geysers and bubbling mud) as well as the occasional rumble when you least expect it. As this is an actuarial report, I'll discuss a bit about how this risk is mitigated for New Zealanders, and then see if I can entice you to visit the "Shaky Isles."



New Zealand is known as the "Shaky Isles."

Off the east coast of the North Island, the Pacific plate is being forced under the Australian plate. Under the South Island, the two plates push past each other. Further south, the Australian plate is pushed under the Pacific plate.

With all that pushing and shoving, no wonder the Institute of Geological & Nuclear Sciences (<http://www.gns.cri.nz/>) record about 19,000 earthquakes a year. Of course we only feel the bigger ones; the public reporting 390 through the GEONET Web site. As far as

earthquakes go, 2005 was an average year with two quakes bigger than 6.0 and 24 between 5.0 and 5.9.

There have been some disastrous quakes in New Zealand's short history. The most tragic was the Hawkes Bay quake in 1931 that levelled the town of Napier causing 256 deaths and 500 injuries. Napier was rebuilt in the styles of the 1930s and is now a beautiful stop on any tour as the art deco capital of the world.

Add volcanoes and tsunamis to the earthquake risk, and occasionally there are some front-page stories of particular interest to insurers. Due to the risk of extensive property loss from natural disaster, the New Zealand government created the Earthquake Commission. The EQC (<http://www.eqc.govt.nz/>) provides insurance to residential property owners to cover damage caused by earthquake, natural landslip, volcanic eruption, hydrothermal activity and tsunami.



Mt. Ruapehu, 1995.

My employer, the Accident Compensation Corporation (<http://www.acc.co.nz/>), a special government corporation, is the sole provider of 24-hour, no-fault accident cover (work and non-work related) to everyone in New Zealand. Yes, you are covered if you come for a visit. A seriously injured person could receive not only acute care, but also physical and vocational rehabilitation, home help and modifications, prosthesis and weekly compensation if employed here. Given that serious injuries

could be lifelong disabilities, the total cost to ACC can run to \$10 million or more.

Assessing the risk of an earthquake is a familiar exercise for the EQC and general (P&C) insurers. For ACC, we take the property-damage models and overlay casualty scenarios, which are functions of building type, location and occupancy (which varies by time of day). The casualty estimates are categorized by severity to match existing injury lifetime cost estimates. There is a need to adjust for psychological trauma associated with such events.

The model is used to assess ACC's probable maximum loss. Given ACC's unique status as a special corporation by legislation, we currently self-insure this risk while at other times have purchased reinsurance. Price and capacity vary



Kevin Heights Golf Course, Queenstown, New Zealand.

and in our case have made a difference in whether to reinsure.

In spite of being a seismically active land mass, this is a very safe country in which to live and work. Although Wellington lies on a major fault line, a 7.5 earthquake is still only a 1 in 300- to 500-year event. Offsetting that, the country is a nuclear-free zone, and firearms are strictly controlled. So why not come down for a visit? Remember you are covered for any injury, even if your timing is really bad and you are here during the 1-in-500-year event.

One of the greatest challenges for the New Zealand Society of Actuaries is providing CPD opportunities for members. Although New Zealand is a long way from anywhere, it is important for us to encourage outside speakers/presenters to make the trip. If you are planning a trip to New Zealand, why not take a couple hours to present your area of expertise to actuaries in Wellington or Auckland? I'll personally help arrange the forum.

My two-year stint as President of the New Zealand Society of Actuaries has just come to an end. However, I am on the committee to promote our conference in November this year in Queenstown, a great place for "adventure touring." If you are really keen, why not submit a paper for the conference? Please contact me, and I'll make sure you are on our list. □



Richard J. Geisler, FSA, MAAA, is immediate past president of the New Zealand Society of Actuaries. He also serves as chief actuary with Accident Compensation Corporation in Wellington, New Zealand. He can be reached at Richard.Geisler@acc.co.nz.

International Accounting Corner

Upcoming U.S. GAAP Seminars coming to a country near you!

The SOA's International and Financial Reporting Sections have joined forces to present seminars outside of North America for actuaries involved in financial reporting under U.S. GAAP.

The first seminar will be held in Hong Kong late October 2006, and it includes a day of basic GAAP, a day of more advanced GAAP and a workshop on applying U.S. GAAP to foreign products. The entire seminar focuses not only on GAAP accounting, but also on the application of GAAP accounting to foreign products and practices. The faculty is comprised of actuaries with many years of experience in financial reporting.

We plan to roll out the seminar to other regions as well, such as Latin America and Central Europe. Please contact Mike Leung of the Financial Reporting Section or Frank Buck of the International Section for further information. We hope to see you there. □

The Eighth Global Conference of Actuaries

by Binni Rana

Anubha Roy also contributed to this article.

I don't travel lightly to India.



As I prepared for the business trip, so did my family—and relatives—and friends. Not only did my family prepare presents to send to family in India but relatives and friends brought over “small” items to send as well.

I resisted. After a couple of bold declarations about refusing to be a courier, I arrived with two overloaded suitcases at Lester B. Pearson International Airport.

What was taking me to India was the ***Eighth Global Conference of Actuaries*** (Eighth GCA) in Mumbai.

I arrived at the hotel and venue, The Taj President for the two-day event starting March 10. The Taj President, a mainstay of the Mumbai elite, is located at the southern tip of Mumbai in the leafy, cobble-stoned Colaba district. The elegant, wood paneled interior seemed the perfect place for a gathering of actuaries and insurance professionals.

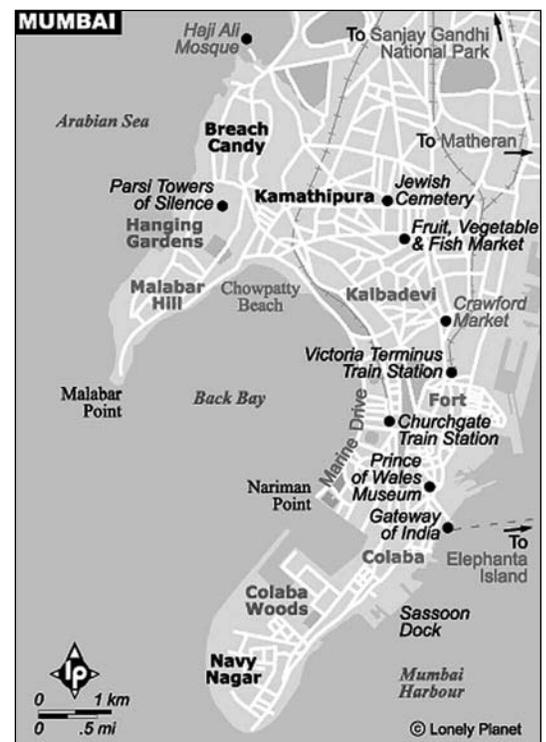
The conference was organized by the Actuarial Society of India (ASI) and sponsored by the International Actuarial Association (IAA). The opening ceremony was lead by Dr. Kannan, president of the ASI, Jean-Louis Massé, president of the IAA and other officials with the traditional lighting of the diya (oil

lamp). In this revered Hindu custom, light which symbolizes knowledge, removes ignorance as light removes darkness.

Graham Watson, CEO, RGA International presented observations on the Indian Insurance industry. Mr. Watson was also present in Mumbai for the stylish, Bollywood-like launch the previous night of RGA Services India Private Limited.

The keynote address was presented by Dr. Y.V. Reddy, governor of The Reserve Bank of India. He emphasized that reforms in the financial sector would continue to have the objective of maintaining stability in the economy through gradual changes and a focus on the long term.

It was announced that this Eighth Global Conference of Actuaries was for the first time organized by ASI alone, unlike previous years when the ASI was supported by the Federation of Indian Chambers of Commerce and Industry (FICCI). The ASI felt that its organization had grown to be independent. The conference went smoothly and pretty much on schedule, covering topics such as life,



non-life, health and pensions. Mr. Massé was impressed by the level and quality of participation.

Two plenary sessions followed the opening. In the first, Chris Daykin, government actuary in the United Kingdom addressed the current public scrutiny and the actuary's responsibility for "professionalism within the business context." He encouraged professional bodies, employers and actuaries themselves, to:

- Develop clearly defined standards, address norms of behavior and demonstrate professional competence;
- Have a vision;
- Be alert to problems surrounding the profession;
- Have a mature attitude;
- Be worthy of trust; and
- Go out of the way to limit **obfuscation** (*which wins my vote for the best word used at the Eighth GCA*).

The second of the plenary sessions was an insightful and entertaining look at the "interaction of other professionals with actuaries." This session presented views from a doctor's perspective, Dr. Phillip Smalley, RGA; a chartered accountant's perspective, Ramesh Lakshman and a lawyer's perspective, Mr. Varadarajan, Legal advisor to IRDA. Dr. Smalley pointed out that the interaction between actuaries and doctors would improve if actuaries:

- Increased the interaction and communication with doctors;
 - Took the time to frame the problem;
 - Explained it in a business context; and
 - Provided adequate time for a response.
- Lakshman began his speech with an amusing

joke and interspersed a few more throughout:

A priest advises his young protégé on a technique to keep an audience alert.

"When I am delivering a sermon and the congregation is falling asleep, I say, 'I have a confession to make.' The congregation then starts to shift in their seats a bit. Then I say, 'Last night I was in the arms of another man's wife.' Now they are all awake and I declare, 'My mother.'

The young protégé one day has his own congregation and they are nodding off so he decides to try his mentor's technique:

'I have a confession to make', he says. The congregation starts to shift in their seats a bit and the protégé sees the technique working. He goes on, 'Last night I was in the arms of another man's wife.' Now the congregation is wide awake, and all are staring up at him in shock. The protégé gets nervous and confused, 'But I can't remember whose wife...'"

After the laughter subsided, Lakshman went on to describe the interaction between actuaries and accountants both pre- and post-liberalization. He cited areas where both professions could collaborate:

- Risk management and quantification
- Financial modeling
- Evaluating valuation systems

The afternoon and most of the following day were split into breakout sessions covering life, health, general and non-life topics. **All papers are available to download from the ASI website, www.actuariesindia.org.** I will touch on a few to give you a flavor.

Sylvain Goulet, partner, Eckler Partners and co-presenter M.G. Diwan, partner, K. A. Pandit presented the first of the life papers on "Asset Liability Management and Innovative Investments." Through a Canadian case study,

He encouraged professional bodies, employers and actuaries themselves to go out of the way to limit obfuscation.

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Mr. Goulet covered the complexities of duration, convexity and some innovative investments that work particularly well to immunize the risk of asset liability mismatch. According to Indian regulation, the valuation basis must be determined based on future cash flows although ALM is not formally required.

“Investment Guarantees: Issues and Considerations for Life Insurers” by Sanchit Maini and Varun Gupta of Max New York Life considered the various types of investment guarantees in the Indian life insurance market. They examined the financial implications of offering investment guarantees on non-par and unit-linked products and illustrated the use of stochastic modeling.

The health sessions were dominated by discussions on critical illness. Sonjai Kumar, also with Max New York Life, presented India-specific conclusions, among them:

- Coronary Heart Disease (CHD) is more prevalent than cancer;
- Females have a higher heart-attack rate than males; and

- Incidence rates of strokes are very low as compared to the United Kingdom.

Cord Roland Rinke, associate director, Hannover Re talked in the second life insurance session about enhanced annuities in the United Kingdom. The paper gives a comprehensive description of the market and its reinsurance solutions. In the United Kingdom, sophisticated products have emerged, and Rinke expects further development spurred by IT-side improvements.

In the general session, Krishnaswamy R. Wipro, looked at IT developments specifically in “Insurance Actuarial Services—An emerging KPO.” His paper analyzes the potential for outsourcing actuarial services.

Chandrushekar Sankaran of HCL Technologies agreed that Indian IT firms are looking to add further value to their insurance clients. Some emerging processes that are being outsourced are underwriting analysis, actuarial, inspection and appraisal, and statistical reporting, including statutory and regulatory reporting.

A full day of presentations was enhanced by conversations during break over chai, North Indian and South Indian cuisine. One such conversation was with an elder gentleman. He, like many other senior ASI members, was pulled out of retirement upon liberalization to lend support and guidance to the growing numbers of new members. At the other end of the age spectrum, was a group of fairly young students from Narsee Monjee Institute of Management in what appeared to be their college uniforms. When I happened to start talking with one, I was immediately swarmed by the entire enthusiastic group. The students continued to show their enthusiasm at every opportunity throughout the two days. Is the actuary the new rock star? Well no, I guess not. These students, like many others, have been handed a previously non-existent opportunity, and they are working very aggressively to take advantage of it. Students Anshul Anand and Surendra Mahadik took the initiative to

suggest the introduction of weather derivatives into the Indian market in their paper “Weather Derivatives Pricing and Design Issue in India.”

At the end of the first day, an award ceremony was held for new fellows and honorees that showcased the camaraderie amongst the students in the ASI. Phanesh M of Tata AIG and Ashish Desai of Max New York Life received their fellowships with enthusiastic applause from their peers. Honored in memoriam this evening was Professor G. Diwan, who began teaching actuarial science in 1937 at Sydenham College in Mumbai. The late Professor Diwan’s son, Mukund G. Diwan, himself an actuary and co-presenter earlier in the day, accepted the honor for his father.

The final day of the conference began with a plenary session and a presentation by Denis Garand on “Pricing Micro Insurance Products,” a rapidly developing product that addresses the financial security needs of the poor.

Breakout sessions were again full. Mr. J. S. Salunkhe chaired the pensions session, which initiated lively discussions that carried over into the tea break. In this session, the debate was around pension and social security. The first paper presented was the “Role of Actuaries in Defined-Contribution Environment” by Mr. Gautam Kakar, life actuarial manager, HSBC Bank plc. Kakar suggested that DC schemes have less technical issues, but the members would need advice on financial planning to help them make a well-informed decision. The second paper was presented by Mr. Bhudev Chatterjee, appointed actuary, National General Insurance Company on “Defined-Contribution Scheme as opposed to Defined-Benefit Scheme.”

The session continued with Mr. Sateesh N. Bhat, student member of the ASI who discussed “Pensions for All.” He presented answers to some questions that will come to a person’s mind about saving for retirement during active service life. How much to invest? How many years to invest? At what rate to invest? The last paper was presented by Mr. S. P. Subhedar, senior advisor, Prudential

Corporation Asia on the “Challenges of Pay-out Phase in Defined-Contribution Pension Environment.” He stressed the differing needs of pension providers and pensioners. The industry is trying to evolve structured pay out products that would manage the conflicting requirements of both groups.

Mingling, the second day was a bit more relaxed, with visitors quickly adopting Indian influences. The intrepid Lesley Traverso of D.W. Simpson carried-off a burgundy sari beautifully. In the first plenary session, she presented “So How Many Actuaries Does India Need?” Traverso considered many of the factors influencing the demand for actuaries in India. As of May 31, 2005, there were 3,978 members of the ASI and it is suggested that the number is now around 5,000.

The Eighth Global Conference of Actuaries concluded with the Valedictory Session with an address from Mr. Anantharaman, member, Securities and Exchange Board of India. Jean-Louis Massé left the conference on a positive note impressed by the energy of the young people and the direction of the ASI under a good president.

Returning home I was one suitcase lighter, having delivered one in Delhi, but fully energized by new friendships, the warmth of relationships and the momentum of a new frontier.

I’ll keep two suitcases ready for the next trip. □



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In Memory of Yuan Chang, the Guiding Light

by Catherine D. Lyn



I was fortunate to have met Yuan for the first time in Berlin in 2003. We met by chance in the business center of the Maritim Hotel. We introduced ourselves and after asking him to tell me about himself, I learned he was the first person of Chinese heritage to receive the FSA designation. Being of Chinese heritage myself, but born in Jamaica, I was fascinated by his story. Our next meeting happened in New York City in 2004 when some of us got together to socialize after the Chinese Actuarial Club's banquet dinner. This was the last time many of us spent some time with Yuan.

I have collected tributes from Hongjian Bao, Nian-Chih, Shirley Shao and Duncan Szeto. This article also includes excerpts from an article written by Yuan Chang. I would like to celebrate Yuan's life and convey the essence of the actuary who many admire.

Yuan Chang

Yuan Chang, actuary and retired executive, husband of Mary Han Chang and father of four, died August 1, 2005 at Stanford University Hospital at the age of 71. All his professional, community and family accomplishments throughout his life, together with the care and kindness he had for people, made him a special person.

Prior to retiring, Yuan was chairman and chief executive officer of Greater China Operations for Metropolitan Life Insurance Company and was responsible for expanding the firm's operations in the region. He worked at MetLife for 12 years in many areas including

corporate investment, pension asset allocation, and financial management. Before moving to MetLife, he was a vice president at Travelers Insurance Company, where he started his career as an actuary and worked for 30 years.

In 1961, Yuan Chang was the first person of Chinese descent to become a fellow of the Society of Actuaries (FSA). He remained active in the SOA for the rest of his life. He was also the first Chinese person to be elected to the SOA's Board of Governors and served as chairman of the Society's Asia Committee. He advocated establishing the China Region Committee in the SOA and was the driving force behind the creation of the first SOA satellite office in Hong Kong. This has been instrumental in the development of the actuarial profession in China and also in serving the SOA members in the Greater China area. That office has grown in both size and responsibility and is now a jointly sponsored effort between the SOA, CAS, Institute/Faculty of Actuaries, Institute of Actuaries of Australia and the Actuarial Society of Hong Kong. Yuan's work also led to the Nankai initiative. This was a 12-year partnership, which helped to establish the first actuarial science program at a university in China. Its graduates became the first FSAs from mainland China in the mid-1990s. Later this year, the first ever Fellowship Admissions Course will be conducted in Hong Kong. That graduation ceremony will be a testament to the growth in the region, spurred on by Yuan's work. It is regrettable that he did not live to see this very special moment in the profession's history.

Yuan Chang was born in Beijing in 1934. His father was the undersecretary of North American affairs in the State Department of the Republic of China. When he was 12, Yuan's family moved to the United States so his father could join the Chinese delegation to the United Nations. After the communist takeover of China, the family settled in Great Neck, N.Y., where they became American citizens.

Yuan remembered facing the language barrier when he first came to the United States, like many of us do. He told us there were many occasions when he had something to say, could not think of the right words in English, then someone else made the point and he kept quiet in order not to be repetitive. He advised us to



Yuan Chang
"the Guiding Light"

force ourselves to speak up constantly. Yuan was an active high school student, having been elected treasurer in his junior year and student representative in the following year. Obviously, he came up with the right words then.

Yuan distinguished himself during his undergraduate life by winning scholarships while working two part-time jobs (grading papers and answering telephones) to put himself through college. The rest of the time, he was busy being the president of the math club and the Cosmopolitan, designing the class banner, playing soccer and fencing. He confessed that he was not a very good student because he didn't spend a lot of time studying! But he did learn to play tennis, pool and ping-pong.

Yuan really wanted to be a career diplomat and pursue a degree in political science and law. However, since the family finances were limited, he made a practical decision to study mathematics and to become an actuary because this career offered the attractions of earning a good living and job security. Yuan Chang earned a BA in mathematics from Oberlin College in 1956 and a JD from the University of Connecticut School of Law in 1966. He was in the class of 1982 at the advanced management program of Harvard Business School. He maintained a lifelong relationship with Oberlin and served as president of the alumni association as well as on several boards and committees related to the school.

During the 30 years Yuan spent in Hartford working at Travelers, he played an active role in the city's development, most notably as chairman of the city's pension committee. He also sat on the boards of various schools and philanthropic organizations, including The Hartford Conservatory and the Producing Guild.

Chang had a lifelong interest in China and other Asian countries. He maintained strong ties with a number of universities in the greater China region including Beijing University, Renmin University, Nankai University, University of Hong Kong, Huazhong Science and Technology, and Soochow University. He served these institutions in various capacities, including acting as a consulting professor and lecturer. In the early 1970s, Yuan lived in Taipei, Taiwan where he served as a senior advisor to the minister of finance of that country. He moved to Hong Kong to become CEO of MetLife Hong Kong a few years before his retirement. Up until his death, Yuan was an advisor to China Life Insurance Company in Beijing and China Pacific Insurance Company in Shanghai.

After his retirement, Yuan settled in Blackhawk, Calif. He was a golfing enthusiast and a member of several local singing groups. He enjoyed the company of his family, particularly his four grandchildren. Even while Yuan was in the hospital, he still tried to keep in touch with all those he mentored as long as he had the strength to talk.

Yuan's Golden Advice

Shirley Shao refers to Yuan as "The Guiding Light." Professor Chang was a role model to many Chinese actuaries and his professional success has given them inspiration. He advised us to get our English up to par, participate in the American culture, interact and share mutual interests with non-Chinese people. In order to work well with people and deal with problems, we need to understand their culture and their ways. We can't bulldoze straight ahead, because that would likely upset the system. No culture is completely straight forward. We can't be too far on either side of the norm because we will lose the power to influence change.

On the topic of ethics, Yuan said it's fortunate nobody ever forced him to steal or to commit fraud. Ask yourself: "Have I violated ethical standards? What are the ethical standards?" Actuaries may become too rigid. Yuan facilitated Fellowship Admission Course sessions on ethical issues. He always said there was no right answer. One has to make a judgment call while maintaining one's own integrity. On the other hand, it's not just about one's own beliefs. *If the boss does not understand, that's different. But if he has no integrity, I am ready to leave anytime.*

Actuaries tend to be too concerned with numerical precision. All numbers are just a tool to provide the picture and show the alternative routes to take. He says when you ask yourself, "What's the key question/problem?" you will see what's important. *If small changes in the key assumptions cause very volatile results, then you had better spend more time on that. No one is responsible for each small part, but you are responsible for the whole answer!*

Yuan's last words of advice were *be patient*. Other people have other problems too, so look at things from their point of view. Also, do not avoid making decisions, but do avoid getting identified as a technician. Speak of the impact rather than merely the technical result.

We can keep Yuan with us by continuing all the good work he did in all facets of his life. □

Professor Chang was a role model to many Chinese actuaries and his professional success has given them inspiration.



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IAA Corner

by Martha Sikaras



With each *International News* issue, we'll update you on the current events and projects conducted under the auspices of the International Actuarial Association (IAA). The IAA is the unique international organization dedicated to the research, education and development of the profession and of actuarial associations. It has 50 full-member associations, 24 associate member association and three institutional members. The SOA has representatives on all of the IAA committees.

IAA Life Section

A new section, whose mission is to promote actuarial research and the exchange of knowledge in the field of life insurance, is forming. The section plans to organize annual colloquia in a format similar to ASTIN and AFIR as well as seminars on specific current topics, to be held locally. It hopes to create a new journal or an extension of ASTIN Bulletin as well as conduct web casts or other electronic forums for networking and exchanging knowledge. Membership for this inaugural year is free. Additional information on how to join is available at www.actuaries.org/SECTION_MEMBERSHIP_EN.cfm



Martha Sikaras is director of Global Initiatives with the Society of Actuaries in Schaumburg, Ill. She can be reached at msikaras@soa.org.

Global Actuarial Education

The IAA's Task Force on the Feasibility of a Global Actuarial Qualification has begun a special study on the feasibility of an IAA education program. Currently, the

IAA has set minimum education requirements for its full-member associations (FMAs). Many associations, like the SOA, have fully developed exam systems while other smaller actuarial associations do not have the necessary infrastructure to support their own individual education system. Another motivating factor for the study is the desire to meet the challenge from the World Bank. The World Bank has expressed interest in providing funds to create social and financial security programs in rapidly developing countries. In this regard, it will become necessary to train individuals to run those systems, thereby creating a demand for actuaries. You are invited to read a summary of the task force work to date by visiting www.actuaries.org/CTTEES_TFGAQ/Documents/Council_Report_Feb_06.pdf

28th International Congress of Actuaries, May 28-June 2, 2006

By the time this issue of the *International News* is printed, the 28th International Congress in Paris will have wrapped up. This section has sponsored a panel discussion to take place June 1 on "Actuarial Crisis and Regulatory/ Professional Response." The panel speakers will be Rodney Lester, Allan Brender, David Finnis, Mike Kipling and Carl Hansen. We will have a report for you on Congress events in our next newsletter. □

International Section Reception

*You are cordially invited to attend the
International Section Reception to be held
on*

Monday, Oct. 16, 2006

5:30 pm – 7:00 pm

Chicago History Museum

Join the International Section at the Chicago History Museum as the museum celebrates its 150th anniversary. Enjoy cocktails and hors d'oeuvres as you mingle with your colleagues from home and abroad. Meet International Council members. Enjoy a wonderful stroll through the Chicago History Galleries. Hear the winner of the Country Feature Article Competition!

We would like to thank our co-sponsors for their generous support.

- The Pacific Rim Actuaries Club of Toronto
- The Chinese Actuarial Club NY Chapter
- The Chinese Actuarial Club Chicago Chapter
- The Caribbean Actuarial Association

Attendees will convene in the lobby of the Sheraton Chicago Hotel and Towers at 5:00 p.m. for transportation to the Chicago History Museum.



A beautiful view of Chicago's lakefront.



There is a non refundable charge of \$50 for International Section members and members of our co-sponsors and \$60 for all others. Please include the additional fee with your registration or apply separately. Space is limited so register early!

Come on out and join us for a memorable evening!

If you have any questions, please contact William R. Horbatt at Horbatt@ActuarialConsortium.com or Sue Martz at smartz@soa.org.



professional standards so that they will eventually qualify to join the IAA. In addition, the Society of Actuaries of China is seeking registration with the Ministry of Civil Affairs as an independent professional association.

The Pacific Rim Actuaries' Club of Toronto thanks Jean-Louis Massé, president of the IAA, for his presentation on "Building the Actuarial Profession Internationally." There were more than 140 members in attendance, including a few actuaries from outside the greater Toronto area. In addition, the meeting featured many great door prizes made possible by more than 20 corporate sponsors. The club is very grateful for the many insurance companies, reinsurers, consulting firms, accounting firms and software companies who have been loyal supporters of the club for many years. To learn more about our club and future events, please visit our Web site at www.pacificrimactuaries.com. □

competent professionals. In most countries, actuaries work in insurance and pensions. However, our skills can be applied to wider fields such as enterprise risk management. Competence in our profession requires a global code of conduct, supported by top-level and up-to-date education, guided by strong standards of practice and subject to an objective disciplinary system.

As the audience had an interest in the Pacific Rim region, Mr. Massé also spoke about the growth of the actuarial profession in Asia. There are seven countries in Asia (Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore and Taipei) that have actuarial associations that are FMAs in the IAA. In addition, Kazakhstan, South Korea and Thailand have actuarial associations that have Associate Member status in the IAA.

In Asia, the current challenge is to get the actuarial profession in China involved. The IAA has formed a China Sub-Committee. It participated in the formation of an actuarial association in China, assists with educating actuaries in China and is helping to develop



Paul Chow, FSA, FCIA, is the newsletter editor for the Pacific Rim Actuaries' Club of Toronto, and he can be reached at paulchow.actuary@hotmail.com.

Mind the gap... ...and how to bridge it

by Laura Brown and Neil Wharmby

Editor's Note: The paper reflects the views of either or both of the authors and does not necessarily reflect the views of Watson Wyatt LLP. It is reprinted with permission by the Staple Inn Actuarial Society, May 3, 2005. This is the second of a three-part series.

The paper is meant to encourage jovial, but perhaps thought-provoking debate. As both the authors work in the retirement benefits field, it is inevitable that this paper will be flavored by pensions. However, we would hope that this will not prevent the non-pensions actuaries from joining the debate. We would like to make it clear that in presenting this paper, we do not intend to be critical of any particular actuary, firm or professional body.

Chapter Three

Why don't we say on the tin exactly what we do?

Perhaps one of the problems that the profession has created is its ability to express something very complex, in numerical terms, as a single figure or outcome or, in words, through a carefully defined term. The trouble is, how much is lost during this simplification process and how much more complexity or uncertainty should we expose to others?

As pensions actuaries, the authors have spent many years between them getting to grips with some of the standard terminology traditionally used in actuarial pension fund communications. There will be occasions when some terms may have their uses, but our challenge to actuaries is to move away from standard terminology and formulaic advice and explain in plain English what the real



story is. The actuarial Guidance Note 26 (GN26), which thankfully invites actuaries to exercise professional judgement as to the funding methods to be used and also states that there is nothing to prevent members explaining the funding method in their own words, provides an ample library of examples to take a look at.

This Guidance Note emanated from a paper on pension fund terminology in 1984. Both of us were still at school at that time (in fact one of us had only just had her first day) and the world has moved on a long way since then. However, many of the terms are, we suspect, still in use to this day. Whilst some of the terms may be a useful shorthand when communicating with colleagues, or other members of the profession, we think that it is time to discontinue their use as far as possible and to move to telling clients, in as simple or as complex a way as they desire, exactly what is going on.

**Use less
terminology and
speak the
same language
as the client**

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For example, the aforementioned GN9 allows an actuarial method to be described by using one of the GN26 defined funding methods when completing the Regulation 30 disclosure certificate. But given that this disclosure certificate is (presumably) for the benefit of non actuaries, how useful is this in practice? After all, whether the projected unit credit method or attained age method is used in valuations of larger, mature defined benefit schemes is, in our view, academic. The difference between the modified contribution rate and the standard contribution rate (remember those?) might, however, be more important. But even those terms, in our view, could be dispensed with and replaced with a clear explanation to clients as to how their funding objectives will be met.

One TLA² which has its limitations is PSR, or 'Past Service Reserve' (usually used in conjunction with a long list of numerical assumptions). We much prefer something along the lines of 'the amount of assets that you would need to hold now to be able to meet the benefits promised under the Scheme assuming those assets are invested [W% in equities and X% in bonds, shifting to a Y%/Z% split over N years] and allowing for a cautious estimate of the returns expected to be achieved in those assets in future.'

Yes, it's a bit of a mouthful, but we would argue that it's much easier for a non actuary to understand a description written in plain English than to expect them to refer to a definition in Guidance Note 26, the valuation report or elsewhere. (Consider how annoying it is for us actuaries to continually refer to definitions of words appearing in lengthy legal documents!

And whilst we're on the subject, why stay with just one single Past Service Reserve. Why not show several to illustrate the certain uncertainty that goes along with pension funding? Why hide the actuarial truth behind the smoke and mirrors of a single figure valuation? Why not project, rather than discount? Why pretend that a market based valuation method is any better or worse than a traditional discounted cash flow valuation? These sorts of ideas are not new—Simon Carne goes a long way in addressing this in his 2004 paper, which was excellent, particularly from the point of view of communication.

We're not getting into any financial economics arguments here, nor entering into an equity/bond matching asset debate. We're simply saying that we should explain what we're doing rather than summarise it in some preformed actuarial jargon that means nothing to our clients.

Chapter Four

Are you an actor or an actuary?

I'm sure we've all been there—cool party, reasonably loud music, approached by good looking guy/girl, conversation eventually hits the buffers:

"So what do you do for a living?"

"I'm an actuary"

"Oh really, an actor! What sort of parts do you play?"

² TLA is a three letter acronym for 'three letter acronym'.

Put on a good show,
be entertaining, tell a
story...

Do you come clean and then spend the rest of the evening desperately trying to make mortality exciting, or do you attempt to maintain the cool(?) impression that you have artistic talent, only to reveal the truth when you are too far down the line to retain trust and credibility?

Let's not concern ourselves now with this dilemma. The point that we're trying to make here is that clients want a good show and, to achieve that, we now have to be both an actor and actuary. Technical ability is, of course, essential in our role, but to get the message across, an appropriate degree of confidence (but not arrogance) and a good deal of stage presence is needed. If the audience are not entertained, they will not listen or, at best, they will find it hard to listen and may choose not to hear the important small print!

What clients really want is a good story. We're not talking about fairy stories—despite the advertisement in *The Actuary* for this paper referring to the brave knight Sir Derek—but about conveying the important messages in a single and clear fashion.

So, on a vote of personality versus technical ability, we'd go for the former.

Pantomime

We would prefer not to go as far as pantomime, but how many times have you said to your clients, "it's behind you!"? Do we state the obvious often enough?

For example, in pension funding, does actuarial mathematics cloud the basic principle that you need either investment return or contributions to be able to secure the pension? On investment return, it's not only the annual rate of return you might be able to achieve but also the time available over which to achieve it.

Going back to the party situation (and let's assume you've corrected the actor/actuary misunderstanding and disclosed that fact that

you 'value' pension schemes), the next question you face is 'which pension should I buy?' Apart from this question revealing that there's still hours of conversation left before you can expect the definition of actuary to be fully understood, it shows that there is a need for us (and others) to provide some very basic financial education. Detail about charges and past performance comparisons is generally superfluous because we usually find that it's a complete revelation to the poser of the question that he may actually have to pay money regularly into an arrangement to secure a pension, and that the longer (or more) he pays and the later he retires, the higher that pension will be. These obvious concepts might indeed be fairly obvious to actuaries, but they are not in our experience well understood by the public.

How many members of the public, and how many companies now operating defined contribution schemes, appreciate how much really needs to be invested to provide adequate retirement provision? How many members know what the difference is between equities, bonds, gilts and other asset classes? This all leads us on to the next section. □

Remember the big picture—state the obvious if necessary...



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International Section Says Thanks to Authors

We would like to thank all past authors who have contributed to publishing *International News* for all our readers. They have generously devoted their time and effort to writing interesting and informative articles dealing with the wide variety of actuarial issues that occur across the international spectrum. This Author Index covers the time period from June 2004 to the current issue. It gives the names of authors with the features and columns they have written.

- The International Section Council and the Editorial Team

Author	Title	Publication
Ainsworth, Stephen J.	Offshore Pension Plans – Their Role in Global Pension Programs	#35, April 2005
Amer, Mohammed F.	Actuarial Profession and Education in the Egyptian Insurance Market	#37, November 2005
Arfan, Fauzi	The Actuary at Risk – Conference Theme in Bali Indonesia	#36, July 2005
Barnett, John	Taking Your Talents Abroad	#36, July 2005
Beram, George	The Emerging Era of Corporate Pensions in Kenya	#37, November 2005
Berrios, Jose L.	Management Across Cultures Mexico News for Q2, 2004 Dynamic Solvency Testing Has Arrived in Mexico	#33, June 2004 #34, October 2004
Beuerlein, Robert M.	Broadening Our Profession's Horizons The Far East – A Texan's Perspective	#37, November 2005 #39, July 2006
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Bilikova, Maria	Slovakia – From an Actuary's Viewpoint	#37, November 2005
Bolnick, Howard J.	Insurance Market Behavior and Health Insurance Seminar Held in Beijing	#36, July 2005
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Buck, Frank	International Implications of SOP 03-1	#36, July 2005
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Chan, Bosco L.	Building Solid Business Relationships – A Reflection of Everyday Relationships Walk on Water – Riding the Globalization Wave The Ripple Effect of an Asian Tsunami Around the World	#35, April 2005 #38, March 2006 #36, July 2005
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