

Malaysian Actuary

January 2008 Issue

By the time you receive this issue of the Malaysian Actuary, the term of the current

EXCO would have almost come to an end. I would like to take this opportunity to reflect the achievement so far and the plans going forward for ASM.

During the past few months, actuaries have been very busy with the RBC Framework which is expected to be implemented by January 2009. In this respect ASM has recently set up an Actuarial Standard of Practice Committee with the objective of developing the actuarial guidance notes particularly with respect to RBC for life and non-life insurance business.

The first actuarial guidance note – Conversion of Spot Rates to Forward Rates and Recommended method to derive unobserved A2 PDS Rates – was issued and made effective as of 1 December 2007. More guidance notes will be issued later. As for Takaful business, another committee has been set up to look into technical issues and to provide and develop relevant guidance notes.

President's address

© Raymond Lai

ASM has also a whole new look to our website, thanks again to the communications committee members for striving towards updating the website's contents. I hope that the members as well as the public will find this website useful and informative.

Over the year, ASM has successfully organized many short talks and seminars, such as



Raymond Lai & "Not To Be Last" of the ASM Treasure Hunt 2007 held on 1 December 2007, at The Weld, Kuala Lumpur.

1. The Annuity Problem delivered by Professor Steven Haberman.
2. Developing a consulting practice and profit centre presented by Dr Jeyaraj Vadiveloo.

3. Study and Exam Technique presented by 3 of newly qualified actuaries.
4. Reforming Pension systems by Mr Christopher Daykin.
5. Pricing under the RBC Framework by Teh Loo Hai.
6. Developing Capabilities of Future Actuaries by Prof John Shepherd.
7. The internal Modeling & Swiss Solvency Test by Karen Tan, Group Regulatory Officer, Swiss Re.
8. Risk Based Capital: Towards Building Resilient Insurance Companies, organised with MII.

These talks were well attended by a majority of the members, and indicate the commitment of the EXCO to move ASM to be a truly professional body in the eyes of the regulator. ASM will continue to promote high standards for actuarial practice and professionalism.

For those who attended the 14th EAAC in Tokyo, I hope you have a good time and great memories of Japanese culture. It was indeed a very successful conference attended by many actuaries from around the world. The theme of the EAAC: "Actuaries in Asia; Making a new Epoch", in my opinion, has great significance to actuaries in Asia as they are facing with a different set of new challenges that may not be relevant to North American and European environments. Fan Chong has written a brief report about the events in the conference for this issue of the Malaysian Actuary.

During the 14th EAAC Executive Board meeting held in Tokyo, it has been confirmed that Malaysia will organize the 16th EAAC in 2011. Thus, I would like to urge the members especially Fellow actuaries to be prepared to present papers and participate in the discussion on actuarial issues, as well as in organizing this conference.

As I highlighted in the previous newsletter, the professional committee is in the process of drafting the actuarial profession's Masterplan which will chart the future direction of ASM. Some of the recommendations that may be proposed are:-

1. Change in ASM constitution to recognize Fellows of the Casualty Actuarial Society.
2. Impose our own CPD requirements to update the professional knowledge of actuaries locally.
3. Continue to develop Guidance Notes for actuaries.

From the education committee, ASM will be participating in an Education Fair to be held in KLCC on 12-13 January 2008. I encourage all members to participate in this event to promote the actuarial profession to the public.

From the events committee, Mr Johannes Nothling has resigned from the EXCO due to unforeseen circumstances and his position has now been assumed by Ms Pong Chiew Ping.

On December 9, 2007, I, representing ASM was invited to give a talk on "Actuarial Science: Passport to Global Profession" organized by Inti College in conjunction with their open day. The session was well attended and generated a lot of interesting discussion and queries.

The year 2007 has been a great year and let me take the opportunity to thank my EXCO members, sub-committee members, editorial team and all members who have helped in one way or another in contributing to the success of many events and seminars/talks that ASM held.

Lastly, I hope to see you all in the Annual General Meeting to be held in early 2008. Once again, happy new year to all ASM members.✍

Journey to the East

14th East Asian Actuarial Conference (EAAC) • 9 to 12 October 2007 Tokyo

By Seow Fan Chong



Day 1 – 8 October 2007 Monday

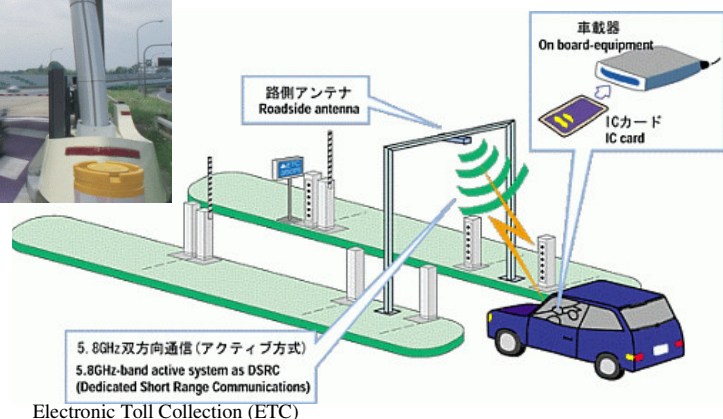
The journey began on 8 October 2007 Monday morning 9.30 am, one day before the commencement of the 14th EAAC. It was an eventful journey right from the start. The airline has checked in and allocated my seat to some one with the same surname. The usual prudence of an actuary arriving at the airport 2 hours in advance of the scheduled departure time has proven fruitful. There was plenty of time to sort out the confusion at the check-in counter. Finally I was issued the same seat number and the gracious air stewardess had to politely ask the other person to move to an empty seat.

The rest of the near 7 hours flight journey was relatively peaceful except for the continual crying of a very cute 6 month old Japanese baby. I enjoyed watching the first 4 episodes of Grey's Anatomy Season 1, and Live Free and Die Hard.

We arrived at Tokyo Narita International

Airport at about 7.30 pm local time which is 1 hour ahead of Kuala Lumpur. After all it came as no surprise as Japan is the “Land of the Rising Sun”. There was an ancient believe that Japan is the first nation to see sun rise.

The first culture shock from Japan did not come from uncertainty in dealing with its overly polite etiquette but from its sophisticated Electronic Toll Collection (ETC) system. Exactly like the picture depicted below, our taxi was speeding towards the ETC gate at about 100 km/h without any sign of slowing down. For a moment, I thought the taxi would surely hit the barriers. Fortunately, the barriers rose instantaneously just when the taxi reached the bottom of the ETC sign. We arrived at the hotel in one piece!



Day 2 – 9 October 2007 Tuesday

After the registration at 3.00pm, the Executive Board Meeting commenced at 4.00pm with representatives from 10 countries, namely, Taipei, Hong Kong, India, Indonesia, Korea (South), Malaysia, Philippines, Singapore, Thailand and Japan (host).

Two main items were discussed. The first main item was to confirm South Korea as the host the 15th EAAC in year 2009. Also, as a representative for Actuarial Society of Malaysia (ASM), I confirmed that Malaysia will host the 16th EAAC in year 2011.

The second main item was to admit the Institute of Actuaries of Australia (IOAA) as a full member of EAAC. This seemed to have broken the geographical barrier and allowed full membership for any actuarial bodies. Two critical conditions were highlighted for full membership. First condition was that the actuarial body must not be a government or government related body. The second condition was that future conference must be held in East Asia even if the host may not locate in East Asia.

A Welcome Cocktail Reception was conducted from 6.00pm to 8.00pm. This was the time to catch up with old friends and getting to meet new ones.

After the cocktail, I retired back to my room and checked the schedule for my presentation being Thursday morning and co-chairing a session on Friday morning.

Day 3 – 10 October 2007 Wednesday

The first plenary (common) session began with a video show on country reports where the geographic information, demographic information, economy, insurance, pension and actuarial organization for each country were presented.

After lunch, the second (and the last) plenary session had 4 presentations, namely, “Moving The Actuarial Profession Forward Internationally”, “Enterprise Risk Management - Towards a Global Designation for Actuaries”, “CERA: The Birth of an ERM Credential”, and “Roles for Actuaries in Non-Traditional Areas”.

The common theme among these 4 presentations was the convergence of actuarial and insurance accounting practice globally. Enterprise Risk Management (ERM), which Risk Based Capital is part, appeared to be the new world order.

The presentation that aroused my interest the most was the one on the new Chartered Enterprise Risk Analyst (CERA) credential of the Society of Actuaries (SOA). It was very comforting to know that the actuarial organization that I belong to is ahead of the new game. It made my day.

After the tea break, I attended the first parallel session with 2 presentations, namely, “The Solvency in Europe - Solvency II” and “Risk-Based Capital Framework for Malaysian Insurers”. These are the hottest and most relevant current topics closest to my work.

The night was uneventful except for a quick review of the materials before my presentation next morning.

Day 4 – 11 October 2007 Thursday

The first morning session started with a presentation “Dilution Effects of Executive



Stock Option Awards”, followed by my presentation “Building a Simplified Stochastic Asset Liability Model (ALM) for a Malaysian Participating Annuity Fund” and another “Using your Asset-Liability Management Model to Manage Capital and Risk”.

Surprisingly there was interest among the audience on my topics and some questions were asked.

After the morning tea break, I attended 2 more presentations, “Developments in International Accounting Standards for Insurance Companies” and “A Critique of Fair Value as a Method for Valuing Insurance Liabilities”.

We had lunch on the coach while heading towards a tour side that has a very nice view of Mt Fuji. The whole tour was very well organized thanks to the dedicated staff from General Re. We even had an authentic Japanese dinner in a very traditional Japanese house setting.

Day 5 – 12 October 2007 Friday

The morning session of the final day started with 3 presentations “Observation of Risk-Based Capital for Development of Solvency Margin of Thailand”, “Some Problems of Credit Migration in the Context of Solvency II” and “Past, Present, and Future of Private LTC Insurance” where I was a co-chairman to facilitate the question and answer session.

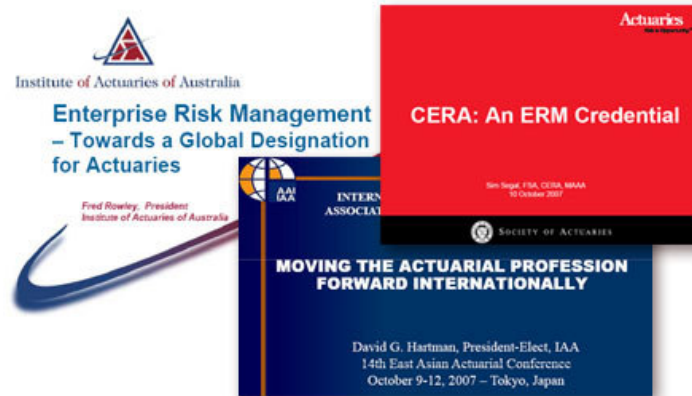
After all duties were done and the morning tea break, I attended 3 more presentations “Japanese Variable Annuity Products - Market Development and Related Actuarial Aspects”, “VA Guaranteed Options and Risk Management” and “Strategic and Entrepreneurial Actuary: A Solution for Development of Actuarial Profession and Actuaries' Roles in Indonesia?” completed the morning session.

After lunch, I attended 3 more presentations “Capital Efficiency for Multinational Insurance Operations”, “Risk Management of Life Insurance Liability Reflecting the Service Contract Aspect” and “Enhancing Enterprise Value through Enterprise-Wide Risk Management”.

Then the final 2 presentations, after afternoon tea break, “Rapid Valuation of Insurance Contracts with Options and Guarantees Using Smart Modeling Techniques” and “Using a Market-Consistent Approach to Managing Your

Asian Business” completed my whole scientific sessions.

We attended the closing dinner with lots of music and dance performance by professional



A copy of the video can be obtained by contacting the ASM Secretary. A copy of all the presentation materials can be found under the following web page: <http://www.actuaries.jp/eaac14th/scsession.html>

artists. As a tradition of EAAC, each member actuarial organization has to make a performance. Representatives of ASM, joined by Singapore Actuarial Society members, sang the re-mixed version of “Rasa Sayang” and made a serious attempt to move the body.

Day 6 – 13 October 2007 Saturday

A whole day of visit to a few interesting places in Tokyo. There were too many places and interesting things to do that you can spend weeks and weeks just in Tokyo alone.

Day 7 – 14 October 2007 Sunday

Finally, a peaceful flight back to Malaysia with no crying baby but only the last 6 episodes of Grey’s Anatomy Season 1.

The overall impression of the whole trip is, quoting from then President of Institute of Actuaries of Australia, “This is the best actuarial conference that I have ever attended”.✍

Crunch time!! Assessment on Day 2



CA2 Workshop

Kuala Lumpur, 17th – 18th December 2007

© Melissa Ong

The ASM Education Committee, spearheaded by Sophia Ch'ng, made the Modelling module (CA2) possible for the local actuarial students of the Faculty and Institute of Actuaries, UK. The workshop, the first to be held in Malaysia, was conducted over two days, on 17 and 18 December 2007.

Under the 2005 Education Strategy, actuarial students of the Faculty or Institute without any 300 series subjects prior to the effective date of the revamped education strategy were required to complete the Modelling module. The aim of the module is to ensure that the

successful candidate understands how to model data in practice, maintain an audit trail for information and communicate

the results.

Pre-requisites for candidates to partake in this workshop are the completion of most of the Core Technical (CT) subjects, at least one year of working experience in an

actuarial capacity, as well as a recommendation from their employer. A group of 22 actuarial students were short-listed, which included candidates from Singapore and Hong Kong. To accommodate the number of candidates, the Modelling workshop was co-organised with University Tunku Abdul Rahman in PJ.

Associate Professor John Shepherd of Macquarie University in Sydney, Australia was brought in as the Assessor for the module. Professor Shepherd has also taught actuarial students in China, USA, China, Hong Kong, Singapore and Kazakhstan. He has also previously conducted a CA2 seminar in

Singapore in 2006 and attended a CA2 seminar in England in 2005. The assistant assessor for this workshop was Mr Yap Chee Keong of Great Eastern Life Assurance (Malaysia) Berhad.



Associate Professor John Shepherd with candidate, Chin Loon.

Prior to the workshop, candidates were required to do some preparatory work – mini modules for Excel techniques that candidates were required to work through and also a pre-course

assignment which was to be completed prior to the workshop.

The purpose of the first day was to ensure



Candidates learning from each other through discussions on Day 1

that all candidates understood the nature of the assessment and are familiar with the software provided. Candidates worked through various sample assignments and were encouraged to discuss good practices for spreadsheet design and audit trail.

Candidates learning from each other through discussions on Day 1

This was followed by practical data handling assessment on the second day, which started at 8.45am with a 15-minute reading time. With a mandatory half-hour break in-between for lunch, the assessment ended at 4.30pm with the handing in of the summary and spreadsheet in hard copy, and also in soft copy in the provided USB thumb drives.

A big thank you goes to the ASM Education Committee for taking the initiative to organise the Modelling module here in Malaysia. Also, to the team at University Tunku Abdul Rahman for ensuring that the workshop ran smoothly over the two days. ✍️



ASM @ The Star's Education Fair (12-13 January 2008)

Have you come across a situation where you were informing others of your actuarial career but they could not comprehend what it was all about? Creating awareness for the actuarial profession is truly vital for our development.

Promoting the actuarial profession has always been ASM's intention to bring in young talents as there are huge potential growth areas for this profession both locally and abroad. The involvement of the actuarial profession in various industries such as life insurance, general insurance, consultancy, financial institutions, and the education sector is growing bigger and bigger every year.

Over the years, ASM has assisted in providing such information through organizing talks, seminars, and involvements in education fairs. We made ourselves noticeable to the public (especially undergraduates) as a way for them to understand the actuarial profession and the development of this industry in Malaysia.

For 2008, ASM will be participating in The Star's Education Fair to be held on Jan 12 and 13 in Kuala Lumpur Convention Center (KLCC) to create more awareness and provide explanations on the actuarial profession to interested visitors at the Fair.

Feel free to come support ASM by paying a visit to our booth, which will be manned by several ASM members who have volunteered to help out in this event. We look forward to seeing you there! ✍️



Speaker: Chris Daykin, former UK Government Actuary, Chairman, PBSS Section of IAA

Pension Reform

ASM Talk on 6 November 2007

© Huang Phing & Lim Kuan Hong

When the phrases “pension” or “retirement fund” are mentioned to Malaysians, most of them will know what they are. However, very few actually realize the importance of preparing/planning for retirement at an early stage, or even if they have the awareness, they may not have enough resources to plan for it. Another issue is that the current social security system may not be able to provide adequate monies to fund an average retirement lifestyle and also the fact that coverage is not wide-reaching, for example the non-working force is not covered in most cases. Due to the fact that a number of countries share the same issue, ASM invited Mr. Chris Daykin, the former Head of the UK Government Actuary to share his experience and knowledge on reforming pension system on 06 November 2007 at Prudential Tower.

The talk received encouraging response from the ASM members and non-members alike.

Mr. Daykin began his presentation with some interesting graphs on the international trends of life expectancy, dependency ratios, fertility and number of retirees. It is interesting to note that Malaysia has the highest fertility rates and hence lowest dependency ratios among the selected countries.

Mr. Daykin then went on to elaborate the importance of reforming the pension system, the general problems faced by the social security system around the world and what needs to be reformed. He also gave examples of reformed pension systems which took place in Chile, Sweden, Finland and the UK, including

their outcomes. In the short time frame, Mr. Daykin also managed to touch briefly on the World Bank’s pension reform framework, which in its 1994 version, only had 3 pillars whilst its latest framework in 2005 has extended to 5 pillars to include the base level which is citizen pension (fairly low level of safety net) and the last pillar which is informal intergenerational financial and non-financial support (i.e. children supporting parents). A Q&A session followed after his presentation and the day concluded with the President of ASM, Mr. Raymond Lai presenting a token of appreciation to Mr. Daykin.

If you missed the talk and would like to find out more about the presentation, you may download the presentation slides at <http://www.actuaries.org.my/default.asp?p=165>



The audience of ASM Talk: “The Challenge Of Ageing – Pension Reform, International Trends And Future Imperatives”

Fifth International Professional Meeting of Leaders of the Actuarial Profession and Actuarial Educators in Asia-Pacific

© Chris Daykin, Executive Director, IAA Fund

Building up the Actuarial Profession in Asia Thursday 6 September to Friday 7 September 2007 InterContinental Hotel, Bangkok, Thailand

The Fifth International Meeting of Leaders of the Actuarial Profession and Actuarial Educators in the Asia-Pacific Region took place from Thursday 6 September to Friday 7 September 2007 at the InterContinental Hotel, Bangkok, at the invitation of the Society of Actuaries of Thailand (SOAT). The last such meeting had taken place in Bali, Indonesia on 16-17 September 2005 at the invitation of the Actuarial Society of Indonesia (PAI).

The meeting was attended by 27 people from outside Thailand and 72 from Thailand. A further 50 from Thailand attended on the first morning. 12 countries in the region were presented, Yves Guérard and Chris Daykin represented the IA and Hiroshu Yamabana represented the ILO. The IAA Fund gave bursaries to pay some or all the costs of 6 participants from 5 countries outside Thailand and also covered 75% of the costs of room hire and refreshments and the Friday evening dinner at the Mahanaga Restaurant. The costs of the additional Thai participant on Thursday and the dinner on Thursday evening were met by SOAT, with sponsorship from the Life Insurance Association and General Insurance Associations of Thailand. The business sessions were held at the InterContinental Hotel. Bursary recipients and the invited guest speaker were accommodated at the nearby Armona Hotel.

The cost of bursaries from the IAA Fund was USD 2,668 for travel expenses and

USD 1,704 for accommodation costs at the Armona Hotel. In addition the IAA Fund incurred costs of USD 2,960 for the travel expenses and accommodation of an invited speaker from Canada. The cost to the IAA

Participants by Country		
Countries	No. of Participants	No. of Bursary Recipients
Australia	4	
Bangladesh	1	1
Bhutan	1	1
Canada	2	
Hong Kong	1*	
Indonesia	1	1
Japan	2	
Korea	2	
Malaysia	4	1
Philippines	2	2
Singapore	2	
Thailand	72**	
UK	1	
Vietnam	2	
ILO	1	
Total	98	6

* Meeting administrator
** An additional 66 people from Thailand attended on Thursday morning

Fund of the room hire, lunches, coffee breaks, Friday evening dinner, etc was USD 12,561. The total cost to the IAA Fund, net of registration fees, is expected to be around USD 15,200. The 2007 contribution to the IAA Fund by the Institute of Actuaries of Australia (USD 4,195) was particularly earmarked for the support of this meeting.

PowerPoint presentations from the meeting have been posted on the IAA website under IAA Fund Committee/Meetings/Asia-Pacific/Bangkok. Reports were received of developments in the profession and the role of actuaries and the actuarial association in the different countries; a summary of this information has been placed on the website.

Sincere thanks are due to the Society of Actuaries of Thailand for hosting the meeting and for the support provided. Excellent administrative support for the meeting was provided beforehand and on site by Pat Kum from the Joint Actuaries Office in Hong Kong.

There was a very positive atmosphere at the meeting. A new actuarial association has recently been established in Bangladesh (in June 2007). The associations in Thailand and Korea reported good progress towards completing their applications for Full Membership of the IAA. There was interest in moving towards the establishment of an actuarial association in Vietnam, starting perhaps with a seminar in the first half of 2008, co-sponsored by the IAA Fund, to market the actuarial profession.

At the meeting there was much discussion about actuarial education, with a lot of enthusiasm being shown for the potential of the IAA's proposed International Actuarial Education Programme to play an important part in the development of the actuarial profession in many Asian countries.

On the morning of Saturday 8 September four of the international guests went to Chulalongkorn University to take part in a seminar to celebrate the 50th Anniversary of the Department of Statistics of the University. About 100 students from the actuarial programmes, faculty, parents of students and high school students attended.



KLIFF 2007

© Faiezy Hasnan


An ASM complimentary seat for the Kuala Lumpur Islamic Finance Forum 2007 (KLIFF) was offered, which I happily took up.

2007 marks the fourth occurrence of this event. I gathered from a speaker that while Islamic Finance forums are flourishing everywhere, this is one of the few he truly looked forward to attend. About 200 people from different backgrounds (banks, syariah advisors, diplomats and students) participated in this forum.

This year, it was held on the 20th and 21st November 2007, under the theme "Towards Innovative and Sustainable Growth". Practitioners from finance, takaful, and investment background talked about innovations they helmed in their respective turfs and lessons learnt along the way. Audiences listened to a few of 2007's "The First" list of Islamic products and services and to some extent, some debates on its applicability throughout different geography, whether legal or syariah compliant issues. As an example, an Islamic bank in Indonesia provides (or rather, sell) its saving account by means of prepaid card, similar to how we buy our prepaid account and top-up. It is allegedly a very successful product but audiences weren't too contented on the speaker's case on how the bank handles fraud, and identification issues.

Syariah scholars (including a syariah scholar from Bahrain, Sheikh Nizam Yaqubi being the celebrity of the event) took the chance to open up the floor for lengthy question and answer sessions. In several occasion, they jokingly complained of some of the hard questions they got from the floor. In general though, the questions were mostly "Is this syariah compliant?" and the answer had almost always been a "Yes", or a vague "Maybe".

Honestly, I have to say there were very few instances where the topic that interests me (insurance/takaful) were brought up and even then the issues were mostly on the lack of asset categories to cater for takaful fund investment purposes. The only other point raised was on product differentiation between insurance and takaful. A Malaysian takaful practitioner commented that at this stage in Malaysia when insurance are still sold rather than bought, takaful operators have no choice but to mirror the conventional products to ease the selling process. As such, takaful products cannot differentiate much from its insurance counterpart in what it has to offer. He stressed on the importance for all stakeholders to invest in educating the public on what takaful has to offer.

All in all, it was an eye-opening event on the broader topics of Islamic Finance. Attending the forum was definitely time well-spent. 

Developing Capabilities of Future Actuaries

© Lim Kuan Hong

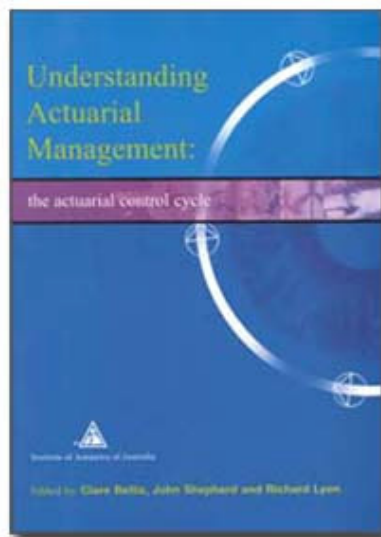
Compared to 5 years ago, actuarial science nowadays is gaining in popularity. However, it is still relative unfamiliar compared to other courses such as Accounting, Management and Law. Many students planning to take actuarial science have lots of questions about the subject and the career as an actuary: What is an actuary? How does one become an actuary? Which universities offer this course? What are the prospects of an actuary and what professional exams should one take? These are among the questions frequently asked by the students before entering university. For actuarial students who have graduated, the questions regularly asked include: Which companies should I work for and what are the skill sets required to become a good actuary? Fortunately, ASM had the opportunity and honour to have the distinguished Professor John Shepherd of Macquarie University Australia to focus on the second part of this question with regards to required capabilities to becoming a good actuary.

Prof John Shepherd is an experienced actuarial educator with teaching experience in several countries including the United States, Canada, China, Hong Kong, Singapore and Kazakhstan. His experience in Kazakhstan is unique since he developed the actuarial program there to help the students have a grasp on actuarial science. Due to his excellent teaching experience, he won several awards including the Macquarie University Outstanding Teacher Award and Carrick Institute Award for Excellent Teaching. For the information of ASM members who are taking the FAP (Fundamentals of Actuarial Practice), he is one of the authors of the required FAP book "Understanding Actuarial Management: The Actuarial Control Cycle".

Prof John Shepherd presented his talk on 19 December 2007 in Menara Great Eastern. As Hari Raya Haji and Christmas were around

the corner, less than 40 members attended the talk. However, this did not compromise Prof John's determination to present a good talk. His presentation – on the qualities found in capable actuaries, the trends of the actuarial exam systems, weaknesses of the current actuarial syllabus, comparisons of the actuarial syllabus and that of the other programs, and the views on the current actuarial syllabus – has provided the audience more insight on the possible enhancement of actuarial science in the future.

After a short Q&A section, the ASM Secretary presented a token of appreciation to Prof John Shepherd. Without doubt, the talk has opened the minds of the audience on some of the challenges that they will face in the future.



Prof John Shepherd is one of the authors of the required FAP book "Understanding Actuarial Management: The Actuarial Control Cycle"

Prof John Shepherd did not forget to provide the presentation slides and allow ASM to post it in ASM website. The slides can be downloaded at <http://www.actuaries.org.my/default.asp?p=184>



ASM Talk on 27 December 2007

Swiss Solvency Test and Internal Modelling

© Alvin Lim

ASM organized a “Swiss Solvency Test and Internal Modelling” talk on 27 December 2007 in Menara ING. The speaker of this event was a Finance vice president from Swiss Re based in Switzerland, Ms. Karen Tan. The main objective of this talk was to inform the audience on how Swiss Re developed its internal models to meet the Switzerland insurance regulations which will be effective in the coming year. As Bank Negara Malaysia has targeted the



implementation of Risk Based Capital in the Malaysian insurance industry starting from 2009, internal modelling is becoming a topic of interest. During the talk, Karen shared her experience on how Swiss Re developed the internal model and what fundamental criteria and information must be kept in mind while developing the model.

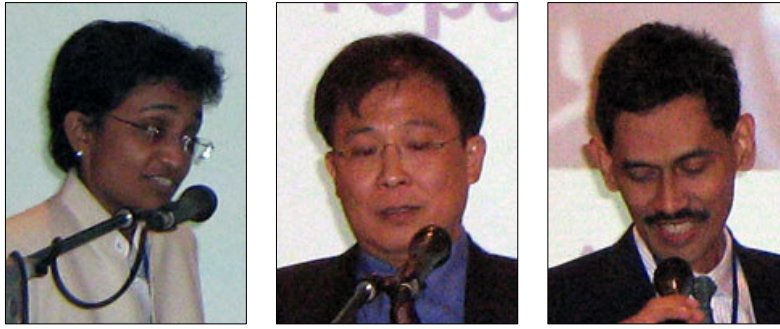
Besides the traditional risks that the insurance industry faces, the European government regulators also realize the dependency of insurance companies to the

financial sector and the impact of financial risks to the insurance companies such as those from the financial crisis in the year 2000. To prevent the unnecessary financial pressure of overly investing in the financial market and to protect the policyholders’ benefits in the event of other impacts such as natural catastrophes, several regulations have been imposed to make sure the insurance companies have sufficient reserves to meet its obligations.

Even though internal models require enormous amounts of resources, time, and money, Swiss Re believes it is worth developing as it also tremendously helps the management in making informed decisions. Basically Swiss Re has 3 important components in its internal models: scrutinizing the balance sheet, taking all fact risks into considerations and implementing the modelling. Swiss Re employs the Monte Carlo simulation in their internal model. These Monte Carlo simulations will be run as many times as possible until the result converges into a stable figure. The objective is to determine the worst 1 percent results from the simulation process to determine a prudent amount of reserves to be held by the insurer.

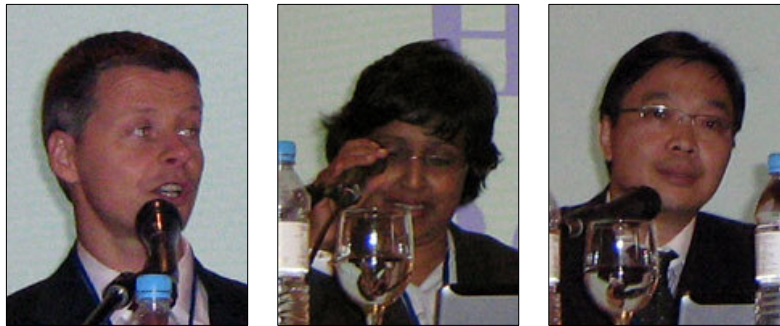
According to Karen, the most challenging hurdle in the process of internal modelling is to obtain reliable data. Without reliable data, no matter how perfectly designed the model is, we will not get to the desired results.

The presentation slides can be downloaded at <http://www.actuaries.org.my/default.asp?p=185>



Risk Based Capital for Insurers

© Lim Kuan Hong



Speakers: (Top, Left to Right) Ms. Anusha Thavarajah (Chief Actuary, ING), Mr. Choo Seong Woh (Chief Risk Officer (Asia), Insurance Australia Group), Mr. Zainal Abidin bin Mohd Kassim (Principal and Actuary, Mercer Zainal Consulting Sdn Bhd).

(Bottom, Left to Right) Mr. Angus Milgate (Head of Treaty (SEA), AON Reinsurance Brokers, Singapore), Ms. Vijayam Nadarajah (Head of Finance, Oriental Capital Assurance) and Mr. Kenneth Wong (Senior Actuary, Bank Negara Malaysia)

If one mentions that Risk-Based Capital (RBC) is the current hottest topic of conversation among the players of the insurance industry (especially for those in the actuarial field), there would be few objections. Due to RBC, 2009 has become the magic number. To raise the industry players' awareness on RBC and have them better prepare for it, Malaysian Insurance Institute (MII) organized a seminar entitled "Risk Based Capital for Insurers – Building Resilient Insurers" for the industry players.

In the morning of 5 December 2007, around 300 participants gathered at the

Prince and Residence Hotel for wonderful refreshment before attending the half-day seminar. Six honourable speakers were invited to present; they were Ms. Anusha Thavarajah (Chief Actuary, ING), Mr. Choo Seong Woh (Chief Risk Officer (Asia), Insurance Australia Group), Mr. Zainal Abidin bin Mohd Kassim (Principal and Actuary, Mercer Zainal Consulting Sdn Bhd), Mr. Angus Milgate (Head of Treaty (SEA), AON Reinsurance Brokers, Singapore), Ms. Vijayam Nadarajah (Head of Finance, Oriental Capital Assurance) and Mr. Kenneth Wong (Senior Actuary, Bank Negara Malaysia).

The seminar began with welcoming remarks by the Senior Manager of MII, Mr. Mohd Taipor Shuhadah and opening remarks by the President of ASM, Mr. Raymond Lai, after which the tokens of appreciation were presented to the speakers.

Ms. Anusha Thavarajah began the first topic of the seminar with “The RBC – A Brief Walkthrough”. Her presentations included an introduction of RBC, the current RBC Framework, RBC in the other jurisdictions, and internal capital models. A tea break

followed at the end of this session.

“Risk Management under RBC” was the topic presented by Mr. Choo Seong Woh. His presentation focused on the risk management framework, which includes but not limited to categorization of risks, early warning systems, determination of risk appetite and risk control policies. During his presentation, Mr. Choo did not forget to remind the audience to take his presented methods for reference only rather than as ones that can fit into all companies.



RBC seminar received overwhelming responses from the industry.

Mr. Zainal Abidin bin Mohd Kassim was the 3rd speaker of the day. His topic “Towards Building Resilient Insurers” involved the comparison of Economic Capital and Regulatory Capital, RBC from the perspective of investors, the impact of RBC on investment strategies, pricing and



(Left to Right) Mohd Yusuff Hassan, Raymond Lai (Actuarial Society of Malaysia), Mohd Taipor Suhadah.

product design. Immediate after this, lunch was served.

The first speaker to present after the lunch was Mr. Angus Milgate. As the former Executive Director for Broking operations, Mr. Angus Milgate presented “RBC for Insurers – A Broker’s Perspective”. ERM Framework was the opening topic of his presentation, which was followed by causes of company failure, issues to be faced under RBC and capital allocation under nearly 20 different models.

“Do Insurers Have A Problem” was the topic selected by Ms. Vijayam Nadarajah. She began her presentation by introducing the underlying principles of the RBC Framework before entering into challenges on solvency assessment and providing some of her views on the Malaysian RBC.

The last speaker of the day was Mr. Kenneth Wong, who presented to the audience about Bank Negara Malaysia’s (BNM) supervisory philosophy, the RBC Framework and BNM’s expectations on the industry.

The seminar ended at 5pm, after which a final refreshment session was provided for the participants to have another chance to exchange their views on RBC. ✍️



 Photo Gallery



The Actuarial Society of Malaysia held its Treasure Hunt 2007 on Saturday December 1, 2007 at The Weld, a neighborhood-shopping complex. It has everything that is needed, although in a smaller scale. We appreciate the Property Management's kindness to allow us to use their premises for the event.

The event attracted 14 teams who started to gather at 9am. After a short briefing of Do's and Dont's by Kheng Heng, the hunt started at 10am. Most of the teams rushed out of the briefing room immediately, yet, some teams stayed back for brainstorming.

We, the organizers, are unsure if the 2 hours hunt time was a bit too long as we found several hunters having coffee! We also find some hunters who loved posing, and were very alert to the photographers.

After the hunt, lunch was served at Old Asia Restaurant.

At the answers presentation session, we were astonished to hear frequent "wow"s, but were uncertain if the hunters had gotten the correct answers or were just amazed by the solutions given. (It was definitely the 2nd part for me as I

had no idea how the questions could have

Treasure Hunt 2007

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been solved!). Let me show you an example: "Celebrity Deer" – can you tell that this refers to "Starbucks Coffee"!

The ASM Treasure Hunt 2007 was a successful event which ended with a presentation of Jusco vouchers to the top four highest scoring teams.

Congratulations to every winner! The organizing committee thanks everyone who turned up at the event and gave us their support. Watch out for more events

in the future! ✍️



(Top to Bottom) "Muggles" (1st Place), "B" (2nd Place), "Kokaya" (3rd Place), and "Not To Be Last" (4th Place)

This newsletter is published by the Communication Committee of Actuarial Society of Malaysia. Any comments or suggestions, please send to secretary@actuaries.org.my.