MALAYSIAN ACTUARY

ACTUARIAL SOCIETY OF MALAYSIA NEWSLETTER OCTOBER 2009 ISSUE

President's Address

Patrick Cheah

Well with a blink of an eye we are now at the end of the 3rd quarter of 2009. Time seems to fly by very quickly especially when there are so many new issues and guidelines that have recently been launched by Bank Negara.

So 9 months down the year and what are the buzz words nowadays – TCF and FRS. One asks what TCF is all about. TCF stands for Treating Customers Fairly. This was a huge issue when it was first introduced in the UK. A lot of insurance practices had to be adjusted or amended to take into account of TCF. The underlying principle in TCF is as it is written, how can an insurance company treat customers fairly? This encompasses not only in regards to product pricing but all aspects of services provided to customers, e.g. customer service, claims settlement, crystal clear documentation in regards to policy contract, disclosure on commissions payable to agents, etc.

Well the introduction of TCF culture will take some time to embed in our day to day lives and I am certain that we as actuaries are able to provide the expertise in regards to ensuring TCF is practiced.

FRS, now that is another major task for actuaries in the next coming months. The Malaysian Accounting Standards Board has stated that by 1st January 2010, all insurance companies have to be FRS4, 7 and 139 compliant.

FRS 4 is in regards to classification of insurance contracts. This is relatively important for insurance companies to ascertain if the products they sell are classified as insurance or investment. The rules in accounting for them are different if one is classified as insurance as compared to investment.

FRS 7 is primarily focusing on disclosures on financial instruments held by insurance companies. Again this is important work for actuaries as one should clearly defined the financial instruments held that is supporting policyholder funds and can conform to a TCF culture.

This newsletter is published by the Communication Committee of the Actuarial Society of Malaysia. If you would like to make any contributions or provide suggestions, please do not hesitate to contact us at secretary@actuaries.org.my.

FRS 139 is in regards to classification of assets in general and ensures that instruments are measured at fair value depending on their classifications. Insurance companies tend to hold held-to-maturity (HTM) assets to match their liabilities and this forms a good understanding for future ALM development.

It really seems to be a packed schedule for us actuaries to incorporate so many changes but times are changing and globalization only introduces consistency in practices as well as open competition in the markets. We as actuaries, equipped with the proper skill set, should ensure that the industry in Malaysia moves towards internationalization and can be seen to be a world competitor.

That brings us back to what is happening so far in ASM. Recently the professional working groups met with the first meeting to set out terms of reference for each working group. Each working group would form their vision and mission statement in looking at how best to provide guidance to actuaries in each practice area as well as potentially putting together a research paper to increase technical knowledge in each area. It is also the hope that each practice area will be able to present a topic in the next East Asian Actuarial Conference in Malaysia in the year 2011.

Well there is still so much to do for this year and ASM is already setting up workshops and seminars to encourage members to acquire more knowledge. Do try and participate in these workshops as they are helpful not only in technical knowledge but sometimes more in regards to practical experience.

On the social front, I was really pleased with the successful annual dinner 2009 event. This is the first time that an Actuarial Idol competition was organized and kudos to the eventual winner, Mr Isaac Chiew from Watson Wyatt who did a beautiful rendition of Frank Sinatra's My Way. We hope that our members will not only concentrate on actuarial matters but take the softer skills like public speaking, singing, etc into their life development. Also I would like to take the opportunity to congratulate the members who qualified as Actuaries. Big heartiest congratulations from the ASM Council.

Lastly I would like to thank the ASM members who registered for the Direct Access ASM credit card. I do hope that more of our members will sign up for the ASM card as it also provides lots of additional benefits to the members, like petrol rebates and shopping rebates. We also will soon provide discounts to events organized by ASM if the ASM credit card is used to register for such courses. So SIGN up now for the Direct Access ASM credit card.

To wrap it all up, I believe that there will be a lot of work for us actuaries in store for us in the coming months and hopefully with the seminars organized this will provide a good basic background on the challenges ahead.

See you in the next issue of Malaysian Actuary and for those taking exams, a very good luck with getting that big P next to your name. ❖

In This Issue

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New member of the EXCO Council

ASM would like to welcome Chin Tze How from Allianz Life as a member of the 2009/10 EXCO council. He will be taking over Tan Kay How's positions as the Professional Development Committee who has left the council due to personal reasons.

Future Events

12 – 15 October 2009

15th East Asian Actuarial Conference: Dynamic Changes & Actuarial Opportunities

Seoul

23 – 24 November 2009

Seminar: A Strategic Perspective to Understanding Risk Management

Kuala Lumpur

7 & 8 December 2009

CA2 Core Applications Module

Kuala Lumpur

14 December 2009

Takaful Conference 2009 – Fostering the Development of Takaful & Retakaful Industry: Emerging Trends & Key Opportunities

Kuala Lumpur

Future ASM Social Events – There will be a few interesting social events line up in November and December. So, do keep a lookout for ASM emails.

Membership Updates

ASM now has 436 members, consisting of:

Fellows	62
Associates	32
Ordinary	314
Students	28

The following is the breakdown by actuarial body:

Casualty Actuaries Society	11
Faculty of Actuaries	12
Institute of Actuaries	97
Institute of Actuaries Australia	34
Society of Actuaries	266
Others	20

Asian ALM Summit: Insurance & Pensions

"Protecting Capital and Minimising Risks Whilst Advancing Yields Through Advanced ALM Strategies"

Yoon Yew Khuen

This article provides an overview of the key issues discussed at the ALM Summit held in Grand Millennium, Kuala Lumpur on 29-29 April 2009. Due to the wide range of topics covered, this will necessarily be a limited selection from the 14 topics presented, all of which deserve to be reported in full, but only a few will be reviewed here.

Living in a Volatile World: Economic Outlook for Asia Pacific 2009

By Datuk Dr Mohamed Ariff of Malaysian Institute of Economic Research

This first presentation set the context for the other presentations. With the world still in the deepest phase of the current recession during April, MIER's view is that the widening and deepening nature of the crisis will have ramifications for export-driven Asian economies. Hence, we are unlikely to experience our own recovery until the world economies improve. This is very much reflected in MIER's outlook for the Malaysian economy with best/worst scenarios for 2009 GDP growth at +0.5% / -3.8%. Other concerns highlighted include a swelling fiscal deficit, over-dependence on oil revenues and easing commodity prices. These could be mitigated to some extent due to internal strengths such as a sound banking sector, comfortable foreign exchange reserves and high savings rate.

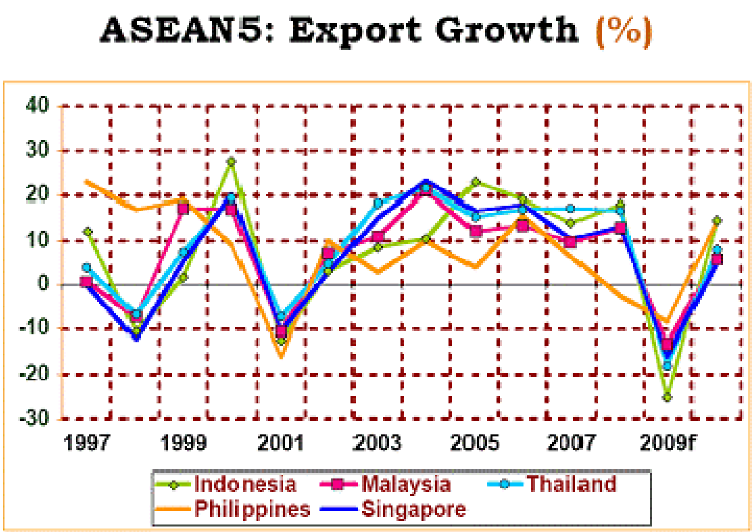


Figure 1: Data showing export growth not recovering until 2010 - MIER

Fall of the Titans: The Fall of Financial Giants and Asset Liability Management Practice

By Prof Philip Cheng, Hong Kong University of Science & Technology

Prof Cheng analysed the importance of ALM practices based on case studies of recent collapse of major financial institutions. Key lessons learnt from these cases include:

- Top management need to agree on timescale for balance sheet growth
- Greater scrutiny needed on off-balance sheet activities, e.g. CDS used speculatively rather than for hedging
- Firms with longstanding AAA rating have received less scrutiny
- Management thinking not up-to-date with innovations and hence only focuses on profit
- Not just ROE but also Return on Economic Capital – but not easily understood

Managing Capital & Risk

By Robert Waugh, Royal Bank of Scotland

One lesson to take away from this presentation is the need to be sure if your hedge portfolio (consisting of bonds and interest rate swaps, for example) is exposed to market or liquidity risk. Some insurers in the recent crisis have taken a hit due to failure to novate swap arrangements when counterparties default. The concept of C-VaR was introduced as a measure of economic capital that is superior to VaR due to its effectiveness in capturing asymmetrical risks inherent to insurance business and its suitability as a tool to monitor funding of liabilities due to its focus on downside risk.

Reviewing the Impact of RBC Guidelines on Financial Institutions in Malaysia & the Role of ALM for Malaysian Financial Systems

By Patrick Cheah, AmLife Insurance

Our President shared his thoughts on the impact that RBC has had on our market. In particular, there has been a move away from traditional products towards investment-linked and existing traditional products have been re-priced. Investment and bonus strategies have also become more dynamic in nature. In our environment with RBC in place but without sufficiently complete & deep capital markets, ALM still has a role for overall asset allocation strategy and testing of various investment, bonus and capital policies.

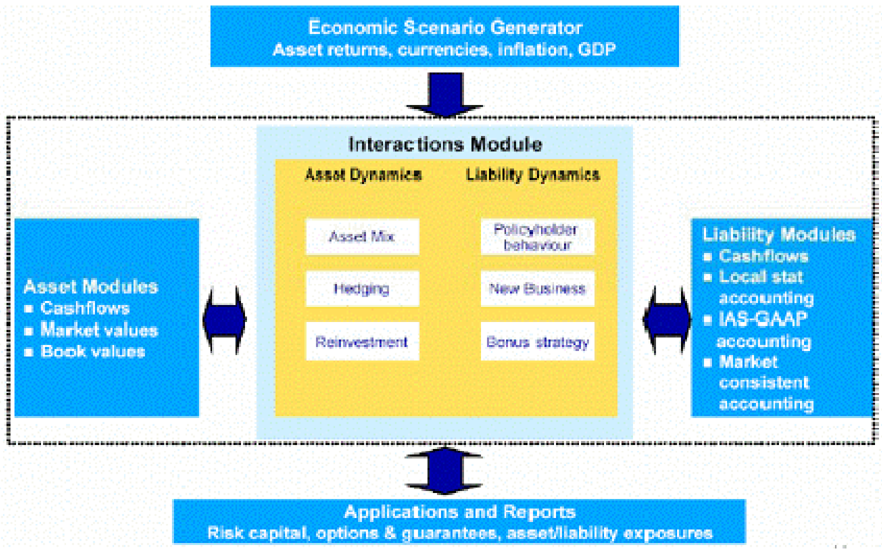


Figure 2: Typical ALM framework – AmLife Insurance

Application of ALM in Takaful

By Jefferey Zain, HSBC Amanah Takaful

It is important to note that whilst most Takaful products do not have explicit investment guarantees, actuaries should look deeper for any implicit guarantees which will need to be considered under ALM. Otherwise, benefit guarantees are treated similarly to conventional products. Knowledge of Shari'ah compliant assets is critical to conducting ALM for Takaful operators as this has bearing on asset risks such as variability of income and early redemption features. A key challenge for ALM would be the shortage of sukuks due to the relatively new Islamic capital markets.

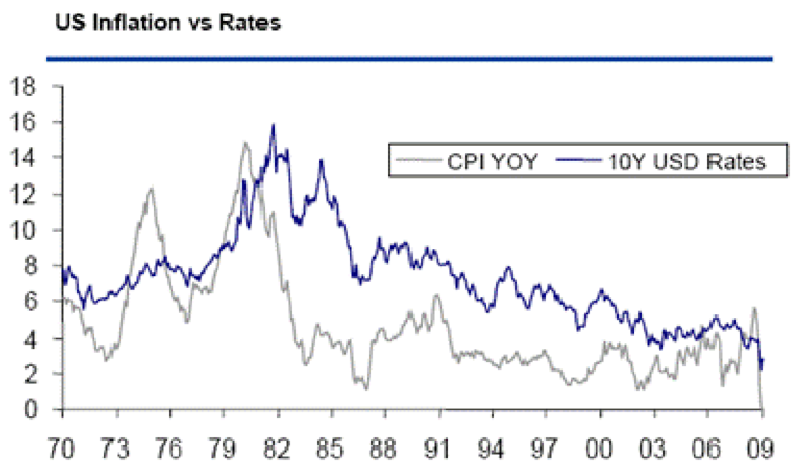


Figure 3: US inflation and long dated bonds closely correlated – Deutsche Bank

The ALM Champion: Defining the Role of an Internal Champion for ALM and Assessing Impact on Organisation ALM Success

By Mark Birch, Watson Wyatt

An ALM champion provides leadership over the ALM process, ensures proper functioning of the ALCO and brings together different parties within a firm; hence the importance of such a role for successful ALM. The ALCO, like any operation in the firm, should have its performance assessed with good performance evidenced by good strategic decisions, better firm-wide understanding of key drivers of insolvency and collaboration across various departments on ALM initiatives.

Using ALM for Product Development: from LDI to Investment Driven Liabilities

By Paul Mussche, Deutsche Bank

In the current environment with capital markets performing poorly and interest rates at record lows, avenues for liability-driven investments are limited – hence the proposal instead to design products to be market consistent from the outset. The presenter explored this idea through proposing some helpful solutions for potential threats in the economy going forward:

- Falling unit-linked sales – consumers want upside with guarantee by insurer. Introduce general account products which are hedged at the outset, possibly with an ETF underlying and index swap. Also, to consider simplified VA products.
- Surrender risk from interest rate spikes – Payor swaptions are an attractive option as they would be currently out-of-the-money.

Swaption premiums are not cheap but may be relatively more efficient than reserving.

- Post-crisis Inflation risk – to meet potential demand for inflation protection, hedge product via payor swaptions to access long-dated rates that are well correlated to inflation and inflation expectations.

ALM for Life Insurers: Practical Insights

By Ophelia AuYoung, Deloitte

As the title suggested, this presentation gave a few practical hints on getting an ALM programme up and running from scratch. First is to think carefully about the framework and about what is needed to achieve the purpose before building the model in order to avoid unnecessary complexity. Next, study assets thoroughly and compile an Asset Information Database (AID) to build the asset model – be sure to get agreement from investment and accounting colleagues. After carrying out the modelling, ensure that the results are used to determine strategies – e.g. investment, product design and liability management. Other tips include avoid modelling where answers are obvious from general reasoning, avoid complicated models where possible, see ALM as a tool to improve decision making rather than arriving at accurate numbers and focus on making presentations clear to management by linking results to questions asked.

Yoon would like to thank ASM and All Events Group for the complimentary pass to the Asian ALM Summit. ❖

ASM Talk: Asset Liability Management

In April this year, a two-day Asian Asset Liabiliy Management Summit: Insurance & Pensions was organized in Kuala Lumpur. For the benefit of those who were unable to attend this summit, ASM has organised a talk that summarizes the topics that were discussed in the summit. This talk was held in Menara Great Eastern on 9 July 2009.

Yoon Yew Khuen, who had the opportunity to attend the summit, was the speaker. Trying to squeeze all the information covered in two days in a one and a half hours time frame, was definitely a difficult task. Nonetheless, it provided a good brief summary of the key topics covered.

A special thanks to JPWALL Consulting sponsoring the refreshments for the talk. ❖

(Picture from news.actuaries.com.my)

Joint Regional Seminar

"Practical Actuaries & Financial Reporting"

Michelle Cheang Yee Ling

It was truly an eventful sight to have more than 100 actuaries from various companies gathering on a sunny Monday morning to attend the Joint Regional Seminar at Prince Hotel, Kuala Lumpur. Jointly organized by the Faculty & Institute of Actuaries, Institute of Actuaries of Australia and Society of Actuaries (China Region Committee), along with the support of local actuarial bodies, the Joint Regional Seminar is designed to assist actuaries and other professionals in meeting their CPD requirements. While most of the participants were from Malaysia, there were those who came all the way from Singapore, Hong Kong, and even Sri Lanka to participate in the seminar. This two-day seminar was held on 13 – 14 July 2009.

The theme of this year's Seminar was "Practical Actuaries and Financial Reporting". This is in view of the recent developments in the financial reporting requirements and the recent switch to risk-based capital regime as required by Bank Negara Malaysia. It also provide insights into the management of Actuarial Functions & Systems, Product Pricing, Economic Models and Investment Strategy, including challenges arising from the global financial crisis.

The first speaker of the day was none other than Mr. Patrick Cheah, president of the Actuarial Society of Malaysia. He spoke of the revolution in RBC, and its impact on companies in the insurance industry as a whole. We then had Mr. James Creedon from Towers Perrin to brief us on how the product development process will be affected by

the changes in the financial reporting metrics. Mr. Robert Chen from Fidelity International then provided us some insights on the implications of evolving the financial reporting standards towards the investment strategy.

Going into more technicalities, Mr. Jonathan Zhao from Ernst and Young shared with us some of the latest developments in the actuarial systems and software and how these solutions could help us in handling more complicated tasks such as stochastic modeling and hedging. On the other hand, Mr. Wing Wong from Milliman Inc presented some interesting insights on cluster modeling as a way to reduce the run time and maintain accuracy.

The second day was a totally different buzz altogether. Participants were seated into different groups and were given the opportunities to discuss upon the various case studies. After a few minutes of discussion on each case study, each group appointed one team member to represent their group and voice out their opinions that was raised during their discussions. It was definitely an interesting workshop as we get to hear different people from various professional backgrounds voicing their opinions and views on the matters that are of interest to us and the industry as a whole.

All in all, it was an educational event and a wonderful opportunity for actuaries around the region to gather around and share insightful information on the topics that are both enlightening and beneficial to everyone in the industry. ❖

CA2 Module 2009

ASM will, once again, be conducting the CA2 (Model Documentation, Analysis and Reporting) Core Applications Module under the Faculty & Institute of Actuaries examinations on 7 – 8 December 2009 at University Tunku Abdul Rahman, Petaling Jaya.

Below is the summary of the 2-day module programme:

Day 1 – Preparation

- Aims of the module
- Outline of the main reasons why students fail
- Feedback from pre-module work on Excel techniques
- Spreadsheets design & audit trails, with an assignment
- Discussion on what makes good summaries
- Review of pre-module assignment

Day 2 - Assessment

- Examination instructions issued
- Students work on individually assessed assignment
- Students hand in exam material

This module will be conducted by Associate Professor John Shepherd of Macquarie University, Sydney, Australia. He has been conducting CA2 workshops in Singapore since 2006 and Kuala Lumpur since 2007. Besides that he has been conducting Society of Actuaries Course 7 (Applied Modelling) in Hong Kong and Singapore since 2007.

For more information, please contact the Education Committee at education@actuaries.org.my ❖

ASM Talk: Challenges of Takaful annuity & Indemnity Medical Business in Emerging Markets

Diana Foong

On the 15th of June 2009, Munich Re Retakaful presented the members of the Actuarial Society of Malaysia (ASM) with an insight into the challenges involving the two emerging yet very challenging lines of business, the first being Takaful annuity while the second being indemnity medical business.

Attendees were first given a brief Takaful overview, of which was very quickly gone on into a real Malaysian experience involving the Employees Provident Fund's (EPF) Annuity scheme back in year 2000. Under this scheme, members paid a lump sum from their EPF in return for an annuity cover, which pays out the income benefits upon the attainment of age 55. This scheme was an overnight success! Transactions were cashless, the return was attractive and the EPF contributions are tax-exempted. Its shortfall, however, was that policyholders were under the impression that the income benefit payouts were 'guaranteed'! So, was it a result of miscommunication? Or was it a misunderstanding? Whatever the reason was, it was of no surprise when the Government decided to terminate the scheme the next year. It goes to prove that while Takaful annuities can be relatively easy to design, its marketing strategy can definitely be challenging amidst the market uncertainty and the lack of public knowledge.

The second presentation, entitled "Challenges of Indemnity Medical Business in Emerging Markets" proved to be equally enlightening. Based on Andre's chart of the health care funding relative to the market, Malaysia's health expenditure as a percentage of the Gross Domestic Product (GDP)

is only 3.5% compared to US at 15.9% - a strong evidence of the potential future growth in Malaysia's health sector. He then continued to talk about the various challenges posed by indemnity medical businesses to profitability, while addressing all areas which required competencies as well as proper controls. Finally, he also mentioned some of the additional challenges that are arising in the emerging markets, the most important being the affordability and the lack of data, not to mention the existence of inconsistencies in the standards of the data from the medical service providers. What more a better and precise way to sum it up than by referring to "*medical business as being written as the 'sacrificial lamb*'"!

Finally, a special thanks to Munich Re Retakaful for sponsoring the refreshments for the event. ❖

ASM Evening Night Out 2009

Charlene Lee

In light of the increasing complexities actuaries are facing in work, and tougher working hours as a result, it was a great relief to see many still remembering how to put aside work for a moment just to sit back and relax. The ASM Night Out 2009 was held at Bangkok Jazz, Chulan Square on 9 July 2009.

There was free flow of drinks and food, but it was the amusing company of friends that made the night complete. Huge platters of yummy snacks and towers of beer were being brought out non-stop as fellow actuaries, and aspiring actuaries,

celebrated the infrequent get-together that did not involve work-related discussions.

However, a night with actuaries naturally led to a night with numbers – just shortly after the crowd arrived, games of dice and cards were introduced, of which (arguably) probability theory and risk formed the core theme. Nonetheless, it was, without doubt, a great night for everyone. Kudos to all those who work hard, but play harder! ❖

(Pictures from news.actuaries.com.my)

ASM Annual Dinner 2009

Loh Sheng Chieh

It has come to that time of the year that every member of the ASM is looking forward to. Even the rain and the traffic did not discourage the 169 members from attending the 31st ASM Annual Dinner held at the Grand Millennium Hotel, Kuala Lumpur on 14 August 2009. What makes this year's annual dinner very different from the previous years is the birth of ASM's first ever Actuarial Idol Singing Competition.

The event kicked off at 5.30pm with two interesting talks: Surinderpal Singh on Genetic Underwriting and Jeffrey Zain on Takaful Insurance. In fact, the talks lasted longer than initially planned, causing us to speed over to the ballroom to keep up with the schedule.

Before the start of the dinner, the President, Patrick Cheah gave his opening address followed by a tribute to Benny Ng, a fellow actuary who had recently passed away.

The ballroom then quickly turned into a lively concert hall, filled with fully equipped energetic supporters, when the Actuarial Idol finally started. A total of 9 groups, consisting of individuals and teams, participated in the hope of being crowned the Actuarial Idol and RM 500 cash voucher.

This is how Actuarial Idol works. There were two official judges, Patrick and Raymond Lai, who will judge the participants on 4 criteria: voice quality, presentation, song difficulty and pronunciation. However, they are not the only judges as 50% of the score lies in the hands of the audience – the louder the support, the higher the chance of guaranteeing the number 1 spot. So, it was no surprise when every supporter screamed their lungs out to support their favourite singer during the entire night.

After numerous wonderful singing, the winner emerged. Isaac Chiew from Watson Wyatt captivated the audience hearts with his winning song "My Way". Y2Y, comprising of Elaine Chua and Ng Yen Kuan, from Prudential won second place with their song "Way Back Into Love" and at

third place, a trio from Great Eastern comprising of Jess Chea, Chin Meng Yong and Evelyn Ng. Congratulations to the winners and to the other participants, bravo for the good performance.

Everyone enjoyed themselves during this memorable night – be it the winners and participants of the actuarial idol, their supporters or even the 34 lucky draw prize winners – everyone

had an experience that they will never forget. Who would have thought that the actuaries can have so much fun and craziness! For those out there who think actuaries are boring, well, the night definitely proved you wrong.

Last but not least, a special thanks to the Events Committee for working so hard to make this event so successful and memorable. ❖

ASM Talk: Individual Capital Assessment – UK's Approach to Risk Based Capital

Chong Wan Leng

A talk on Individual Capital Assessment (ICA) was organised by the Actuarial Society of Malaysia (ASM) at Menara Great Eastern on the 1st of September 2009. The talk was well received, with nearly 80 representatives from life insurers, actuarial consultancies and regulators attending the event. The speaker, Ms. Ng Hui In, is a qualified actuary who has had 9 years of actuarial consulting experience in the UK.

The UK's approach to Risk Based Capital (RBC) had undergone various changes over the past decade. The implementation of ICA in the UK was preceded by the Solvency I regime (pre-2005) and will be succeeded by the Solvency II regime, which is currently in the reviewing process. The talk was kicked off with a brief introduction on the establishment of ICA. In Hui In's helpful and concise introduction of the ICA, she laid particular emphasis that the ICA is "essentially an internal model approach". Unlike the forthcoming Solvency II regime, there is no standardised approach for ICA.

Hui In then proceeded to present the methodology used in calculating the ICA based on surveys carried out in the UK. As there is no standard model to adhere to, the surveys offer a fair gauge of market practice. The speaker then drew the audience's attention to statistical data on the commonly used methods and indicators by UK life insurers in determining risk sensitivities, stress tests and scenario testing. A break was called at the one-and-a-half-hour mark, and refreshments courtesy of Prudential were served. The participants took the opportunity to mingle whilst enjoying the coffee break.

After the break, Hui In resumed the talk by briefly describing the application of Individual Capital Guidance (ICG) by the Financial Services Authority (FSA) when a company's ICA is deemed to be inadequate. Subsequently, the several impacts of ICA were highlighted to the participants. In general, ICA has primarily brought about an increased focus on an insurance company's overall business risks, rather than just its insurance risks. It is also apparent that the ICA approach is also paving the path by preparing the insurance industry for its successor, the Solvency II regime.

Finally, a comprehensive comparison between Malaysia's RBC regime, the ICA approach and Solvency II was drawn to contrast and distinguish the three. It is interesting to note that for most life insurers, internal models (the ICA approach) yield higher Solvency Capital Requirements (SCR) as opposed to standard models (Solvency II regime).

To conclude the talk, Hui In outlined the plans and challenges faced by the UK and the rest of the world in respect to RBC regimes.

After a short Q & A session, Hui In gave a quick demonstration on the Realistic Balance Sheet implemented in line with the ICA along with practical examples, to supplement her explanation of how ICA is evaluated. The talk came to a close at 5pm, half an hour later than expected, but left its participants with much food for thought over Malaysia's current RBC regime. ❖

ASM Movie Night Out 2009

For the first time, ASM has organized a movie night for its members at the Golden Screen Cinemas, Pavillion Kuala Lumpur on 3 July 2009. Being one of the biggest blockbusters of the year, it was no surprise that the 150 seats for the Transformers: Revenge of the Fallen were quickly snapped up.

For those who attended the event, it was a great movie experience and a chance to step back and relax, away from the worries of work.

A special thanks to MLRe for sponsoring the popcorn and drink sets that came along with the tickets. ❖

ASM Mercer Futsal Tournament 2009

William Yap

On 11 July 2009, ASM in collaboration with Mercer Zainal Consulting Sdn Bhd organized the first ever Mercer Futsal Cup, held at the Sports Barn, Petaling Jaya. The entire actuarial industry was invited and there was a great response, with ten teams signing up for the tournament.

The group round robin stage was first. The ten teams were divided into two groups. Only the top two teams from each group advanced to the knock off semi-finals round. The matches kicked off at 9am. The atmosphere was great with supporters cheering on their colleagues. The energy was high, with brilliant displays of skill shown from all teams. Fair play and good sportsmanship was seen throughout the day. Delicious snacks and drinks were also served to energize the hungry players and supporters.

The four teams that advanced to the Semi-finals were RHB Insurance Berhad, UITM, MNRB and MERCERnaries.

After some tough competition, the winners emerged. The final results are as follow:

1st place: MNRB

2nd place: RHB Insurance Berhad

3rd place: MERCERnaries

4th place: UITM

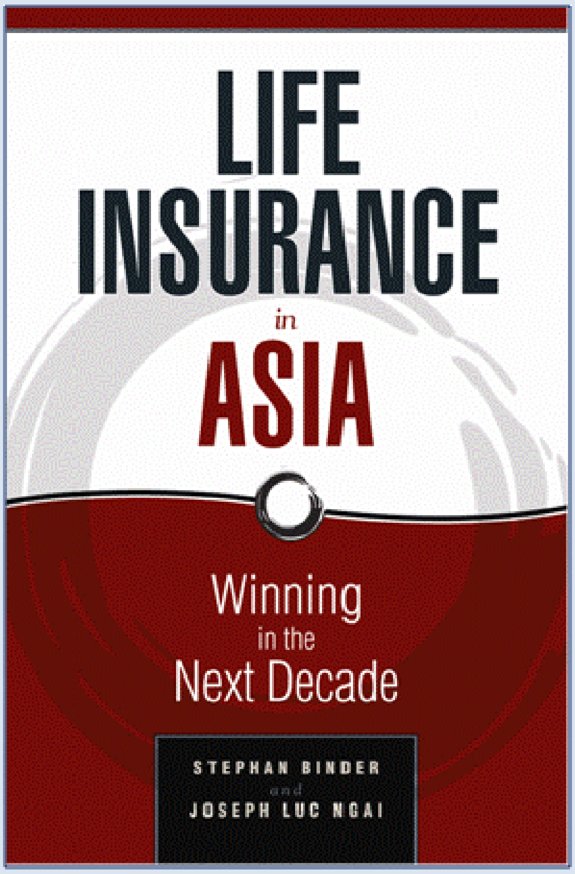
Congratulations to the champions MNRB! And to all the participants and supporters, who so willingly spent their Saturday morning at the event, thank you. Special thanks to En Zainal Kassim and Mr Patrick Cheah for giving away the prizes.

We hoped you had fun at the event and till we meet again, take care! ❖

Life Insurance in Asia: Winning in the next decade

By Stephan Binder and Joseph Luc Ngai

Reviewed by Aiza-Yasmin Benyamin



This book is interesting mainly due to two things – firstly, it provides a study of the competitive insurance industry in Asia by actual insurance practitioners, rather than say pure academicians working on their doctorate (which can be useful but not particularly insightful) and secondly, the theories and observations are validated by the insurance practice team at McKinsey giving valuable insight into the management consulting firm's line of thought.

The vast and diverse geography that makes up Asia is broken into five markets: China and India; Japan; Asian Tigers; Southeast Asia and Australia. While the recurring theme in each chapter on each market centers around the changing face of distribution and product offering, with an interesting segment on the success (or lack thereof) of multinational insurers in Asia, the authors also work hard to provide readers with an understanding of each distinct market. The latter is made more interesting as it is obviously written with an insider's perspective, based on the firm's experience being in the market. For example, instead of just describing the housewife agency model in Korea, the authors proceed to illustrate factors behind the initial success and steady decline of the model in Korea. In India, they explain the impact on private insurance after 50 years of state monopoly. Closer to home, the authors astutely identify the potential of takaful as a future growth engine in Muslim dominated countries like Malaysia and Indonesia.

Each chapter culminates in an analysis of the future outlook for each market, highlighting potential opportunities as well as challenges – even identifying upsides in mature markets like Australia and Japan. Written post the 2008 financial crisis, the analysis takes cognizance of the current economic environment.

What sets this book apart from an academic study is that as it is partly geared as a marketing tool and hence, it works very hard to excite both local insurance players and MNCs on the prospect of success in Asia. If I were to summarise the key success factors here, these would seem intuitive. However, coupled with the authors' insights and possible strategic perspectives to consider, the theories make a compelling case which warrants further study.

I would recommend this book not just to the senior management with a view of world domination but also to the insurance student given its relevance to the industry we are part of. ❖

All ASM members who purchase this book, published by Wiley will be able to enjoy a discount of 20%. To get this offer, Full name & Membership number must be provided. Please note that this discount is valid till Oct 31, 2009. To get your personal copy, please contact Ms Christina Lee at John Wiley & Sons (Asia) Pte Ltd at Tel: 03-7880 9705, Fax: 03-7880 3454 and email: chlee@wiley.com

Members' column

Can we communicate effectively?

Loh Sheng Chieh

A communicator is a person who takes something complicated and makes it simple. An actuary is a person who takes something complicated and makes it even more complicated….

Sounds familiar? This is only one of those numerous jokes which we always hear about actuaries – that we are poor communicators. But how true is it?

I was going through some of my old stuff and found this old paper by Andrew Brown. Titled "The Eight habit of highly effective actuaries" was a paper that was presented during the Institute of Actuaries Australia's Biennial Convention in May 2005.

Having read it again after so many years, I suddenly realized that I may somewhat be guilty of it. Good news is, I am not alone. But the bad news is, it will definitely hinder with the actuarial profession's ambition to develop into wider fields and expand our influence into those non-traditional areas.

Read on his paper and you will find that this common perception is no stranger among employers and the stakeholders in fields where actuaries deal in.

As actuaries, we are so comfortable with the complexities of our model, the numerous acronyms and terms that we sometimes forget that not everyone we work with speak our language. Try explaining to the marketing people (or even your non-actuarial friends) what you are doing. Chances are their minds will shut off, giving you that blank confused stare.

So, for the good of our own and our profession, we have do something about the way we communicate our work to other people. In his paper, Brown recommended the Communication Control Cycle:

- Understand the audience & establish purpose of communication
- Develop the content to suit the audience & purpose
- Monitor the audience feedback

If you understand how your audience responds to the information, you can pitch the communications in the way that your audience can understand. Else, you are very likely to "suffocate" your audience with all the unnecessary details (which we as actuaries love so much).

There were a few general rules which Brown talked about, one of which is KISS – Keep It Short & Simple. Only communicate to your audience what is important and useful for their decision making. Leave the complex details aside (unless they actually do ask for it). This way, we can take something complicated and (hopefully!) make it less complicated.

The paper titled "The Eight habit of highly effective actuaries" by Andrew Brown is an amusing reading, with many comments about actuaries as poor communicators, the reasons and detailed recommendations to improve the skill. It is available at the Institute of Actuaries Australia's website www.actuaries.asn.au. So have a go at it, and maybe, it will benefit you.

To end, is a comment from his paper:

Our skills are very important but unless we can communicate what we can do to other people who can use our advice, we will get nowhere… ❖

Attention members!

This members' column is newly introduced into the newsletter. We have started this column with an article on communication skills. Hopefully, it will encourage members to contribute to this column as we move forward. It can be on any topic which you feel will be interesting to your fellow members. It can be even something you read or watched or heard somewhere.

If you feel you have an interesting article to share with (or wants to more about how to it), please do not hesitate to email to the Secretary at secretary@actuaries.org.my (with the title of the email being "ASM Newsletter: Members Column)

Student Column

Actuarial Science at University of Malaya

Leong Wai Kit

In year 2003, the increasing demand for qualified actuaries in the market prompted the Head of the Institute of Mathematical Sciences at the University of Malaya to introduce the BSc programme in actuarial science, a major in Actuarial and Financial Mathematics. Dr. Pooi Ah Hin with the help of Mr. Khoo Poh Beng drafted the programme based on those in University of IOWA (USA) and University of Waterloo (Canada), and a meeting of the Board of Studies for the proposed programme was held on 15 April 2003. The meeting was participated by Mr.Alex Foong, Mr.Hassan Kamil and other professionals.

Over the years, this actuarial science programme in the University of Malaya has been steadily gaining its popularity and acclaim from the society. Out of the total of 50 graduates, 55% of them are now in the insurance sector, 25% in the finance and investment area, 15% choose to further their studies while the remaining 5% are in other industries. Besides, there are currently 132 undergraduates in the University of Malaya, preparing for the actuarial profession.

In order to produce highly competitive graduates, a seminar course has been introduced where actuaries and some prominent professionals have been invited to give talks on insurance, finance, as well as aspects of the insurance law. Special thanks to the following people for their contributions in taking time off their busy schedule to provide seminars to the students during the past 2 years:

- Ms. Chrisanne Chin
- Ms. Claudia Cheah
- Mr. Eustace Gomez
- Mr. Gary Hoo
- Mr. Hor Yew Kheong
- Mr. Khoo Poh Beng
- Mr. Lee Jiau Jiunn
- Mr. Lim Cheng Guan
- Ms. Loo Peh Fem
- Mr. Looi Ming Foo
- Mr. Raymond Lai
- Mr. Yap Chee Keong
- Mr. Yong Poh Chye

In the future, we welcome ASM committee members to actively share their knowledge and experience with our undergraduate students.

Future Plans

From the Society of Actuarial and Financial Mathematics, Universiti Malaya

At the moment, the society of actuarial science was not officially formed in Universiti Malaya until this year when a group of committee members begin to see its importance and willing to take up the responsibilities. This society is meant as a platform for knowledge sharing between seniors and juniors. For such, we have several plans on hand though they are still in the preliminary stage,

- **Official website**
  This website would contain the recent updates about the society. Apart from that, students could download the past year examination questions and notes especially on SOA papers. Annual newsletter would be published on the website. Moreover, students could share their opinions through the forum on the website.
- **Academic workshop**
  This workshop is mainly for helping the students in their preparation for the SOA papers. Seniors who have successfully passed the examinations would be the mentor to guide the juniors. Through this way, we hope every actuarial science student from the University of Malaya is able to pass at least 4 professional papers upon graduation.

To end, we hope that our future plans and the cooperation from all parties could uplift the name of the University of Malaya in the field of actuarial science.

"Takaful is now growing very fast and has great potential in actuarial field. I am happy that what we have learnt in UM did apply to Takaful models. I hope in future the university would focus more on Takaful in actuarial perspectives."

-by Chong Foo Weng (Uni Asia Life) graduated 2008/09

"Bsc. Actuarial Science at Universiti Malaya is a 4 year course and started from 2005. Most of our graduates are employed within 3 months of graduation. The Bsc. Actuarial Science has 120 credits that combine 4 different areas namely statistics, mathematics, finance and insurance. Our programme has got VEE exemption last year. At the moment, we have around 130 students ranging from 1^{st} year to 4^{th} year. We also have international students from Mauritius and China."

-by Dr. Noor Azlinna Azizan, coordinator of Actuarial Science, Universiti Malaya ❖