

June 2013 Issue

Newsletter by the Actuarial Society of Malaysia



the
malaysian
actuary

About the Malaysian Actuary

The Malaysian Actuary is a regular newsletter/magazine published by the Actuarial Society of Malaysia.

This publication is for general information purposes only, and intended only for members of the Actuarial Society of Malaysia. While all reasonable efforts are made to provide correct information, the Actuarial Society of Malaysia does not guarantee that the information provided in this newsletter is complete, reliable and accurate in every aspect. The articles in this newsletter are based on the views of the individual authors and do not necessarily represent the views of the Actuarial Society of Malaysia.

The Malaysian Actuary welcomes interested members who would like to contribute to the newsletter in any way, either by submitting articles relevant to the actuarial industry, conducting interviews or contributing puzzles. With regards to submitted articles, the Malaysian Actuary reserve the rights to accept, reject or request changes before publishing the articles. In addition, the editor may amend the article for grammar, punctuation and spelling. For more information on contributions, please contact the Malaysian Actuary editor at editor@actuaries.org.my.

Feedback on the Malaysian Actuary can be provided by filling up the form on the last page of each issue and submitting it to editor@actuaries.org.my. Nominations for suitable candidates for the "Up Close and Personal" section can also made via the same form.

Editor's Note

We're soon going to pass the half year mark of 2013, greetings all! The end of first half has been whistled off. Let us enjoy a short half time as we face the second half of year 2013.

This is your new editor rolling in for my first ASM Newsletter. A speech taken off from our previous editor's comment from February 2013 issue, "I hope all of you will enjoy reading the newsletter as much I have in preparing them."

This issue, we have a committed reader from the Malaysian Actuary residents who contributed his article on Enterprise Risk Management: Risk Governance guideline formalises the ERM Framework in Malaysia. Lee Kin Hoe decided to bring us through the content of the guideline by BNM on Risk Governance issued on March 2013.

Following closely, let's see what happened on the ASM Talks and Annual General Meeting 2013 and the full listing of our new ASM Council 2013. Be sure to catch that!

Don't miss out on our session "Up Close and Personal" with our very new ASM Committee Members. The Committee Members will share out their thoughts on some very simple questions being asked to them.

Enjoy the readings and I hope our actuarial members will be able to come back with feedbacks and thoughts on the newsletter. Article contribution is very much welcome too!

With the haze that strike in most places across the country, don't forget to consume more fluids and stay indoors!

Cheers,
Jack
Editor, Malaysian Actuary

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President's Address

Wow.....half a year has passed in 2013. Hope you have had a fruitful first half of 2013 and are working towards achieving an even more successful second half.

The watershed event in Malaysia during the first half of the year is certainly the 13th



General Election which was held on 5th May 2013 and won by the Barisan National coalition. For the financial services industry, no doubt the watershed event this year will be the implementation of the Financial Services Act (FSA) and Islamic Financial Services Act (IFSA) on 1st July 2013. Some old laws, like Insurance Act 1996 and Takaful Act 1984, which have served the industry well over the years, will be repealed. The wide ranging FSA and IFSA will give Bank Negara Malaysia (BNM) stronger powers aimed at better governance which will bode well for

Malaysia's financial industry in the long run.

As well as the two legislations above, Bank Negara Malaysia has issued a concept paper titled "Appointed Actuary: Appointment and Duties" where the consultation period for the paper will end on 2nd August 2013. The concept paper proposed BNM's enhanced supervisory expectations on the duties and responsibilities of the Appointed Actuary as well as greater clarity on the Appointed Actuary's relationship and interaction with various stakeholders. Some of the major changes are: Appointed Actuary requirement extended to general insurance business, removal of product pricing duty from the Appointed Actuary and, greater oversight by the Board of Directors on actuarial issues. The introduction of the Appointed Actuary system to the general insurance industry is a timely development as it moves towards a de-tariffed business environment. The removal of the pricing role from the Appointed Actuary will necessitate more clarity on the requirements and duties of the Pricing Actuary which will hopefully be addressed soon. Additionally, it is a welcome development that the concept paper proposes an explicit condition on the appointment of an Appointed Actuary, that the candidate meets relevant CPD requirements. The final major change, the greater oversight by the Board of Directors on actuarial issues, means that actuaries must rise up to the communication challenge of explaining technical issues using less jargon and to make complex issues comprehensible to non-actuarial stakeholders.

In terms of happenings in ASM, the society has just successfully hosted the 3rd General Insurance and Takaful Actuarial Conference on 27th May 2013 which was well attended by 127 attendees. ASM and SOA will also jointly organize the 2013 Joint Regional Seminar on 31st July and 1st August 2013. Additional seminars and talks will be held in

the second half of the year to help our members acquire additional actuarial knowledge while meeting CPD requirements. On the networking side, we are encouraged by the 33% rise in participation in this year ASM Badminton Tournament and hope to see more participation from members for the social and networking platforms provided by ASM.

The next networking event will be the ASM “The Wolverine” movie night on 26th July 2013. See you there :)



Out & About...

AIA AFG Takaful Bhd is now known as AIA PUBLIC Takaful

The ING insurance brand exits the Malaysia market

Sanlam has completed the acquisition of 49% of Pacific & Orient for RM270 mil

BNM's Concept Paper on role of Appointed Actuary calling for public feedback

The proposed unemployment insurance scheme for the private sector will be a compulsory scheme

Sun Life and Khazanah have completed the acquisition of CIMB Aviva

Combined entity of AmG and Kurnia will be named AmGeneral, however maintaining both AmG and Kurnia brand names

Financial Services Act and Islamic Financial Act requires composite insurer and takaful operators to split their life/family and general units

LIAM has re-elected Vincent Kwo as its President and appointed Kamaludin Ahmad as its Vice President for 2013/14

Alliance Financial Group is pulling out from the AIA AFG Takaful joint venture by selling its 30% stake to AIA for RM45 mil

Financial Services Act 2012 requires individuals with more than 10% holdings in insurance company will have 5 years to comply with the 10% shareholdings limit. Holding companies which own 50% or more of the financial institution are also required to register as a financial holding company within 12 months from the commencement date of the Act

Number of FASM in Malaysia exceeds 100 for the first time in history

New Actuarial Society Malaysia Council members for 2013



Thanks to Insurance News (actuaries.com.my/insurance-news) to which reference was made when compiling this section.

Enterprise Risk Management: Risk Governance guideline formalises the ERM Framework in Malaysia

Lee Kin Hoe

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In March 2013, Bank Negara Malaysia (BNM) issued guidelines on Risk Governance (RG). The guideline is the final piece of the jigsaw in bringing together the other guidelines on risks (market, credit, operational) into a complete and cohesive framework. This article highlights some of the key principles underlying the RG guidelines. In addition, an Enterprise Risk Management guideline for insurers was also issued by the Singapore regulator and this article will highlight some of the key similarities and differences between these two guidelines.

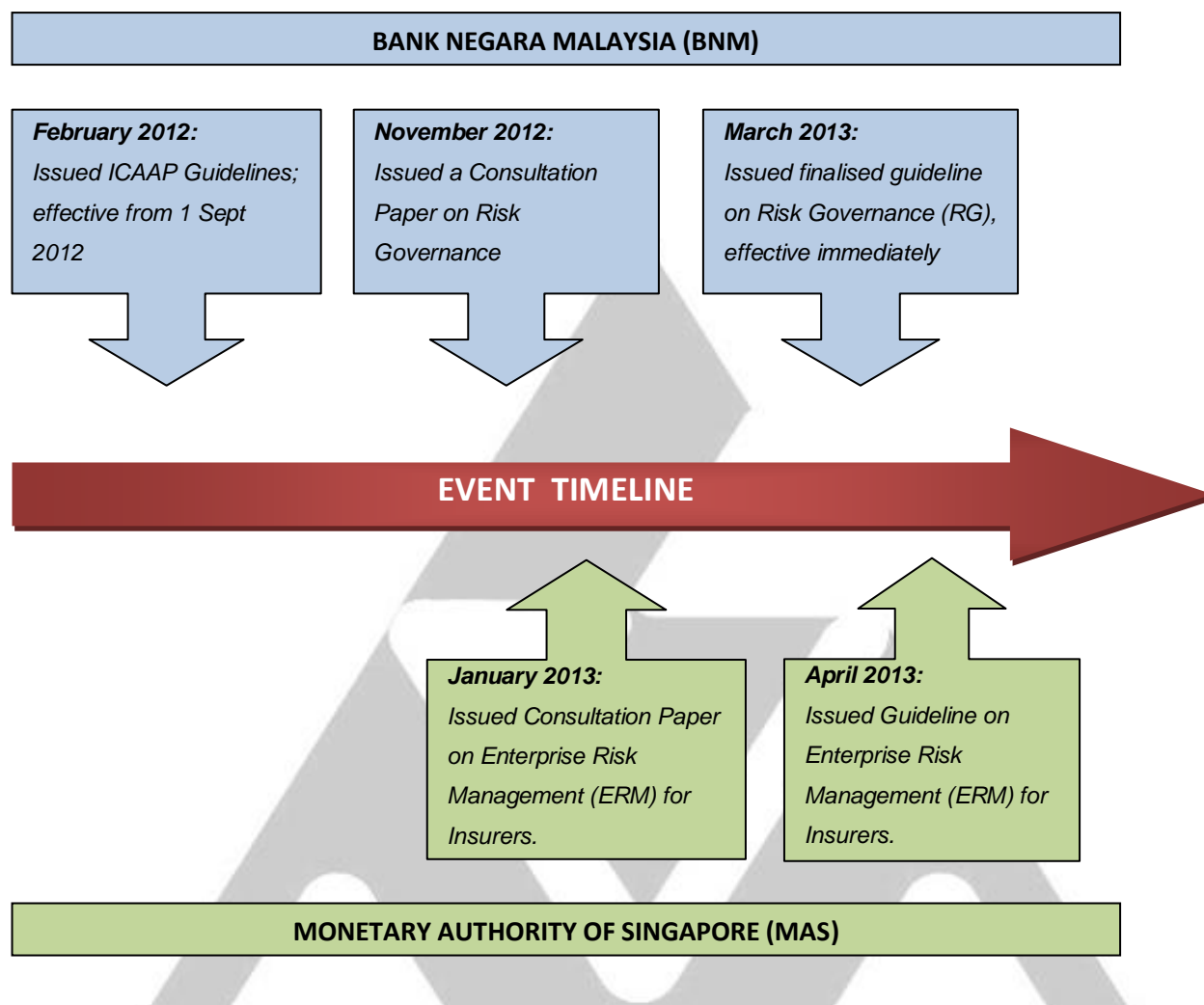
Background

The RG framework is principle-based and broadly descriptive on risk management, with the intention of having it applicable to all financial institutions¹. The RG needs to be read together with the ICAAP to represent the Enterprise Risk Management (ERM) framework for insurers in Malaysia.

The Singapore regulatory authority, the Monetary Authority of Singapore (MAS) issued an Enterprise Risk Management for Insurers (ERMI) guideline in April 2013 which is largely unchanged from the Consultation Paper.

The following sections will highlight some of the key principles underlying the RG guidelines and list a few key similarities and differences between these two guidelines.

¹ The paragraphs where insurers or/and takaful operators are mentioned explicitly are in paragraphs 26, 33, 49 and 61.



Key principles in the Risk Governance guideline

The key pertinent principles in the Risk Governance guideline are highlighted below.

- 1) The role of a Chief Risk Officer (CRO) or independent senior risk executive has to be established with a distinct responsibility for risk management function. The person must have sufficient stature, authority and seniority to influence decisions from a risk perspective. Its independence and unimpeded access to the board and risk committee are strongly emphasized in the guideline. As such, the role has to be filled by someone with relevant qualifications, experienced in risk disciplines, understands the business and with strong communication skills.

- 2) An independent risk management function has to be established, with sufficient resources and access to the board. The compliance function plays a role in the ERM framework as an independent auditor of the risk policies and procedures. In addition, the relationship between compliance, internal audit and risk management functions has to be clearly defined by appropriate structure and lines of reporting to ensure independence.
- 3) Actuarial expertise is cited in supporting the risk management function. However, to ensure independence, actuarial expertise in risk management function is not allowed to be directly responsible for other actuarial functions such as product development and design, investment and pricing. It is important to note that the valuation function is not mentioned.
- 4) Creation of special purpose structures or vehicles (SPV) is specified as a possible source of risk if its structure and purpose are not properly understood by board members and senior management.
- 5) Executive remuneration should be prudent and not promote excessive risk-taking. Persons performing control functions should have input in setting remuneration policies for other business areas to promote the alignment of risks and rewards.

Key similarities between RG and ERMI guidelines

There are significant similarities between the RG and ERMI guidelines. Both guidelines require the following key items:

- A sound risk strategy and effective risk management framework that encompasses risk appetite, risk tolerance and risk limits which are appropriate to the nature, scale and complexity of its activities/risks of the organisation.
- Requirements for stress testing and the resulting solvency position under stress scenarios. ERMI goes further by requiring that the insurer uses reverse stress to test “business failure²”.

- Recognition that the insurer may leverage on the parent/holding company's ERM practices but subject to insurer's assessment of relevance and appropriateness in the local context and environment. This implies that the local board of a subsidiary should not automatically adopt the group ERM framework and assume it is sufficient to satisfy the RG requirements, but this needs to be tailored for the subsidiary environment.
- A risk measuring and monitoring system that is responsive and dynamic to changes in risk profile, business mix and external factors. ERMI calls it a "feedback loop".
- The insurer, if it is part of a group of companies, has to consider how risks associated with the organisational structures and the intra-group relationships affect its ability to manage risks on a group-wide basis. The ERMI has something similar which is called group risk, defined as "risk that the insurer may be adversely affected by an occurrence (financial or non-financial) in another entity of the group it belongs to".

Key differences between the RG and ERMI guidelines

We have summarised the key differences between the two guidelines in terms of the Capital Management Plan (CMP), the review of the ERM framework by the regulators or independent parties, the risks that should be considered in the framework and the relationship between risk profile and capital. It is important to note that the current framework in Malaysia considers regulatory capital and there is no requirement to assess the economic capital.

	RG and ICAAP guidelines in Malaysia	ERMI guideline in Singapore
Capital Management Plan (CMP)	Insurers are required to have a formal CMP which lists thresholds that will act as triggers for management to take action to ensure that appropriate capital levels are maintained at all times. The CMP must	No mention of a capital management plan or policy. However, it is inferred under Own Risk and Solvency Assessment (ORSA), where the insurer shall "assess the quality and adequacy of its capital

² Business failure is defined as:

- a) the insurer's solvency position falling below any regulatory capital requirement;
- b) the insurer being wound up for any other reason.

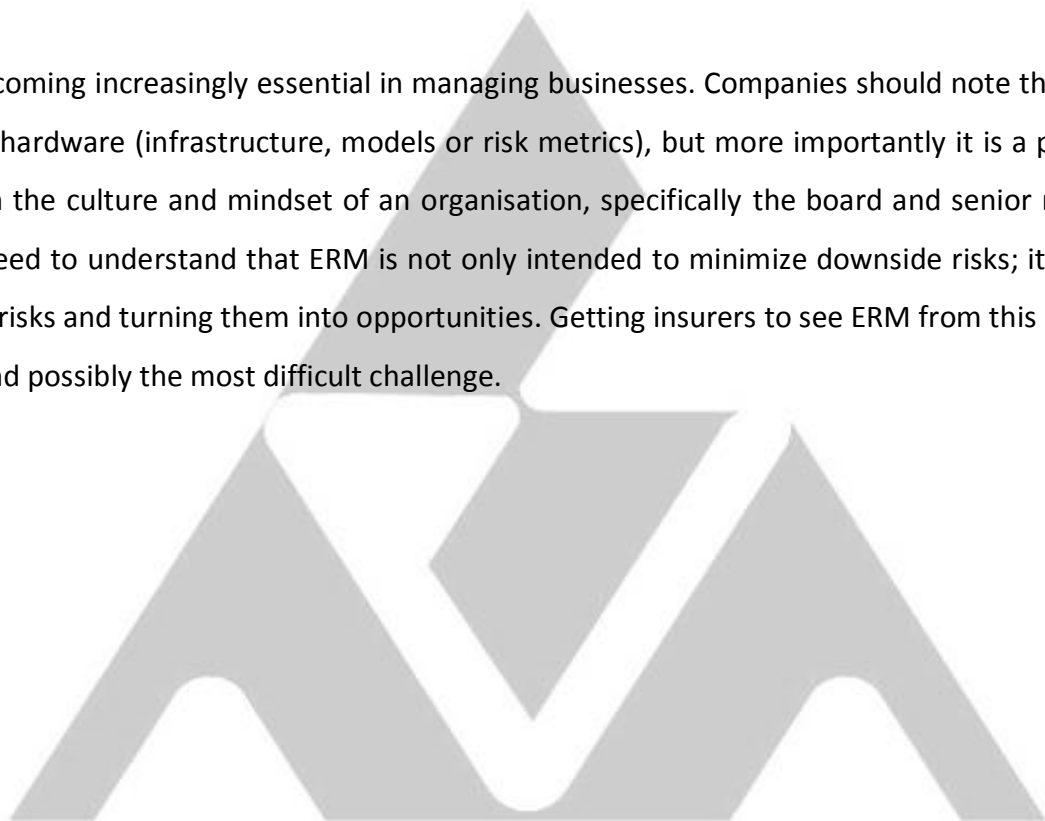
	also state corrective actions that are triggered at each threshold.	resources to meet regulatory and economic capital requirements” and “in supporting its business strategy (in particular, new business plans) and enabling it to continue its operations”.
Review by regulators or independent parties	There is no requirement for insurers to submit ICAAP report, but insurers are subject to audit review and evaluation by the regulator. ICAAP Guidelines requires scheduled independent review and states that comprehensive reviews every 3 years would be reasonable if there are no changes to the usual business/operating environment.	Insurers have to submit annual Own Risk and Solvency Assessment (ORSA) report and the minutes of Board of Directors’ deliberation of ORSA to MAS. A sample format and suggested content of ORSA report are also specified.
Risks to be considered	No minimum risks specified, but the guideline is intended to complement other guidelines on credit, market, operational and liquidity risks.	Specifies the minimum risks to be considered i.e. credit, market, insurance, operational, liquidity and group (if applicable).
Relationship between Risk Profile and Capital	There is a disconnect between risk profile and the capital (ITCL) required to cover those risks, where the former closely resembles economic capital while the latter is calculated based on regulatory capital. ICAAP ³ calls for a comprehensive risk assessment; however the ITCL is “derived through an iterative process of stress tests performed on a range of	The ERM guideline states that insurers “base its risk management actions on consideration of its economic capital, regulatory capital requirements and financial resources”. It further says that “the insurer, based on its nature, scale and complexity, may justify adopting its regulatory capital, whether in entirety as, or to form the basis of, its economic

³ According to Guidelines on ICAAP for Insurers, risk assessment should capture insurer’s specific risk profile and should include risks which are not explicitly captured under the RBC Framework, such as liquidity and catastrophe risks.

	financial positions and corresponding capital adequacy ratios (CAR)". It is noted that the ITCL is based purely on regulatory capital.	capital". In short, there is a link between the insurer's risk profile and capital.
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Conclusion

ERM is becoming increasingly essential in managing businesses. Companies should note that ERM is not about the hardware (infrastructure, models or risk metrics), but more importantly it is a process which focuses on the culture and mindset of an organisation, specifically the board and senior management. Insurers need to understand that ERM is not only intended to minimize downside risks; it is also about exploiting risks and turning them into opportunities. Getting insurers to see ERM from this perspective is the first and possibly the most difficult challenge.



Up Close and Personal...

with *Charlene, Krystle, Vas & Jack*

Q: What was the first thought that came to your mind when you succeeded in joining the ASM Council 2013?

Charlene: "I hope to make a difference."

Krystle: Oh no, more work!! But yeah, I was happy and excited at what new activities we could organize that will help to bring the society closer together.

Vas: "Great and wait....what have I got myself into!?"

Jack: Am I? You're serious?

Q: Is this your first time joining the ASM Council?

Charlene: No, was in Council in 2012 as well.

Krystle: Yes

Vas: Yes

Jack: Definitely the first time.

Q: What made you to join the Council?

Charlene: I enjoy being part of the driving force behind ASM activities.

Krystle: Wanted to contribute back to the society and in a way help to promote the actuarial profession

Vas: Network with other members and also create an environment which is supportive of the Qualification process

Jack: My friends nominated me and I'm like, "Why not make a difference?"

Q: What is your most memorable experience from ASM by far?

Charlene: The launch of the ASM website, after almost 9 months of crazy stress and at times questioning my decision to volunteer for the website project. But seeing the fruits of our labour, it was all worth it in the end.

Krystle: ASM Actuarial Idol a few years back

Vas: At the AGM when I was unexpectedly asked to come in from on the audience and take a seat with the new council

Jack: Meeting different people and trying to remember who is who

Q: 5 words to describe your position in the Council

Charlene: Conferences, CPD, Disciplinary Procedures, Website

Krystle: Exciting and lots of fun!

Vas: Support, Success, Qualification, Persistence, Geek

Jack: Worst fear is writer's block

Q: 5 words to describe yourself

Charlene: Mother, wife, daughter, actuary, and.. erm.. exhausted.

Krystle: Fun, fun, fun and fun

Vas: "We are nothing but Energy"

Jack: Love travelling, food & my wife (symbol is not counted)

Q: What do you do to help yourself relax from the stresses of work?

Charlene: Spending time with my kids, or KTV works well too.

Krystle: Not think about work. Retail therapy always works for us girls. Going out for a nice meal and drinks

Vas: Get back home to the Fiancée and her shih tzu

Jack: Talking. Seriously, it helps!

Q: What would you think you'll be if you weren't in the actuarial world? Why?

Charlene: A dancer, because I love dancing, it would've been a passion career.

Krystle: Probably managing a F&B business

Vas: A Beach bum. Why not!?

Jack: My biggest dream is to be a stargazer

Q: What is there to expect for this year from ASM?

Charlene: Big events (GI Seminar, Joint Regional Seminar, EAAC Paper sponsorship, joint programs with consultants and/or other actuarial bodies). Code of Conduct – aiming for accreditation. Disciplinary Procedures – so if you're doing something you shouldn't be, it's about time to stop.

Krystle: Loads of fun-filled events!

Vas: More engagement with our members

Jack: Excitements! Expect the most and enjoy all of it.

Q: Would there be a lot of activities involving ASM members?

Charlene: Of course! Nothing would be achievable without the participation of our members.

Krystle: Yes, definitely

Vas: Yes!

Jack: ASM is about its members!

Q: What do you think of the current Actuarial industry?

Charlene: Grown a lot over the past years, but still heavily concentrated in traditional roles.

Krystle: It's still a small industry with few qualified actuaries but we have been growing in the past few years. Nevertheless, it is a respected industry to be in

Vas: Highest exporters of Actuarial talent?

Jack: 3 out of 10 people roughly know what it is.

Q: How about its future?

Charlene: Ample room for further development in many areas.

Krystle: I see it growing rapidly in the future as more people are aware and interested in joining this industry. Also, the number of qualified actuaries is also growing which is beneficial for the industry.

Vas: Exciting especially developments which we are seeing around the world with actuaries moving into non-traditional roles.

Jack: 7 more people out of 10 to roughly know what it is

Q: And what about the future for ASM itself?

Charlene: More members seem to be willing to involve themselves in ASM activities, and that's a good sign. We need the contribution of a good variety of members (age group, job scope, areas of expertise) to grow across all possible areas.

Krystle: Hopefully we will have younger members taking up more active roles.

Vas: Currently in good hands!

Jack: With the number of young actuaries joining the family, definitely more participation there'll be

Q: Any messages for the rest of the ASM members?

Charlene: Don't be shy, talk to us, tell us how we can help you.

Krystle: Hope to see you in all the events!

Vas: Get more involved guys! Support your juniors in the Qualification process. It will only make your life easier in the long run!

Jack: Be more active. Let us work hand in hand to achieve something great

Recent and Upcoming Events

Recent Events

26 February 2013	ASM Talks and Annual General Meeting 2013
4 March 2013	Solvency II Developments in Europe, Impact of Low Interest Rate Environment, & Enterprise Risk Management
18 May 2013	ASM Badminton Tournament – <i>sponsored by MLRe</i>
27-28 May 2013	3 rd General Insurance & Takaful Actuarial Seminar

Details of the recent events are given in the write-ups below.

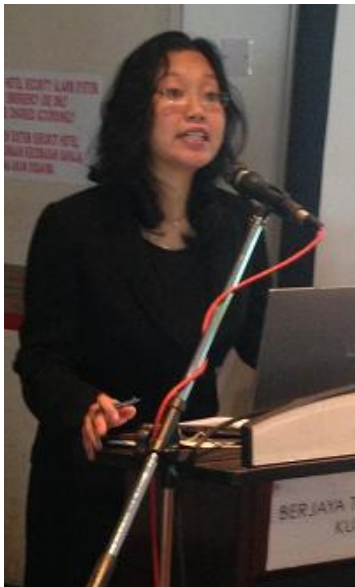
Upcoming Events

26 July 2013	ASM Movie Night
31 July 2013	Joint Regional Seminar 2013
26 August 2013	IFRS Seminar

ASM Talks and Annual General Meeting 2013 (26 February 2013)

Written by Charlene Lee

On 26 February 2013, the ASM held its Annual General Meeting. But before getting to that, there were first 2 topics presented to members. Farzana Ismail of Actuarial Partners spoke about longevity risk; while Patrick Cheah of AmLife Insurance and Kelvin Hii of Lonpac Insurance touched on evolution of the actuary's role, in Life and General insurance respectively.



Farzana previously worked in the UK, specialising in annuities and longevity risks. She spoke about patterns of mortality improvement in the UK, including events triggering significant worsening/improvement such as war, as well as the cohort effect where those born around the same period seem to share the same trends. There are many different methods of projection but no recommendations on a standard model, so companies need to develop their own view on how to project improvements.

Farzana then moved the focus to Malaysia. Here, the annuity market is almost non-existent, making up only 0.02% of in-force insurance business in 2011. Retirement provision in Malaysia is largely through mandatory EPF savings, and is paid in a lump sum at retirement, and usually used up within 3 years of retirement. But with an expected retirement age of about 60, and a life expectancy of about 75, this means Malaysians have 15 years post-retirement to worry about. Coupled with recent tax incentives for annuity premiums, it is the perfect opportunity for insurers to enter the annuity market.

Of course, there are challenges – quantifying longevity risk, onerous capital requirements under RBC, lack of suitable long term assets and the generally poor reputation of annuities in Malaysia. In order for annuities to be successfully launched in Malaysia, we would need to create awareness, obtain appropriate government backing and consider issues relating to fairness such as surrender values and guaranteed payments.

After a short break, we moved on to the next topic – Evolution of the Actuary's Role. Patrick Cheah, Chief Marketing Officer of AmLife started off, talking about the Life Insurance industry. He first brought us through ancient history of the actuarial profession, and then spoke about how actuarial work in Malaysia has evolved over the past years. Life insurance reserving in the past was on a prescribed basis – methodology and assumptions



were strictly set by regulation. Pricing was based on technical formula, using the factors A_x , a_x and its variants. Subsequently, RBC was introduced and reserving moved from Net Premium Valuation to Gross Premium Valuation, with assumptions set internally by company based on experience and expectations. Though certain areas are still prescribed, the overall process has become more principle-based.

Patrick also spoke of actuaries taking on roles in new areas, such as risk management, marketing, investments and even wider fields such as environmental organisations and even international organisations like the WHO. His view was that the next generation actuaries are likely to become specialists in their own fields, albeit not necessarily in the traditional actuarial field. External changes such as the rising opportunities for pensions, Solvency II and ICAAP will also steer the direction of actuaries.

Next, Kelvin Hii, Head of ERM at Lonpac, spoke about the role of actuaries in the General Insurance sector. In the past, actuaries were not needed at all in general insurance companies. The introduction of the RBC framework specified the need for GI liabilities



valuation to be conducted by a Signing Actuary. This led to a boom in GI consultancies, as well as actuarial auditors as the audit would now require understanding of actuarial models. Slowly though, more and more GI companies have started setting up in-house actuarial teams and this may prompt a change in the range of services to be provided by consultants. Actuaries from this generation are considered the pioneers of GI actuarial work, and are often involved in reserving, stress testing, Enterprise Risk Management (ERM) and preparation for external changes such as de-tariff.

Kelvin zoomed into ERM and explained why he felt that ERM is the way to go for GI actuaries. There is a spectrum of needs that need to be managed in a GI company, but insurance risk is the main one, and that's where the core strength of actuaries lies. However, there are bound to be obstacles as this requires strong qualitative judgement so as to attempt to quantify risks such as failed internal processes, fraud, system failure, inadequacy of business continuity plan. This in turn necessitates interaction with all departments in the company, again historically not the strong point of actuaries. He also spoke of the new ICAAP framework and explained how actuaries can get themselves involved in each component under ICAAP.

Kelvin emphasized on the versatility of actuaries, and how they can be involved in areas like the energy sector, climate changes and banking/investments. If equipped with good communication skills, actuaries will be able to easily apply familiar concepts in unfamiliar grounds. He encouraged all aspiring GI actuaries to take a proactive stance in their role, to look for mentorship and conduct discussions with peers, and to develop their soft skills.

Finally, he also called upon the regulator to provide support for further development of the actuary's role in the GI industry.

Following the presentations, the AGM began. Each committee member reported on their respective areas, followed by the election of the new council. The previous and newly elected council members and auditor are given below.



Position	2012	2013
President	Liew Pek Hin <i>Malaysian Life Reinsurance Berhad</i>	Yap Chee Keong <i>Great Eastern Life Assurance (M) Berhad</i>
President-Elect	Yap Chee Keong <i>Great Eastern Life Assurance (M) Berhad</i>	-
Vice-President	Wan Saifulrizal Wan Ismail <i>Towers Watson (Malaysia) Sdn Bhd</i>	Wan Saifulrizal Wan Ismail <i>Towers Watson (Malaysia) Sdn Bhd</i>
Secretary	Merissa Chong <i>Malaysian Life Reinsurance Berhad</i>	Lim Weng Soon <i>Great Eastern Life Assurance (M) Berhad</i>
Treasurer	Ng Hui In <i>Prudential Assurance Malaysia Berhad</i>	Kelvin Hii <i>Lonpac Insurance Berhad</i>
Committee Member – Professional Development	Kelvin Hii <i>Lonpac Insurance Berhad</i>	Charlene Lee <i>Munich Re Retakaful</i>
Committee Member – Education	(Vacant)	Vas Ramanujam <i>Prudential BSN Takaful Berhad</i>
Committee Member – Communications	Charlene Lee <i>Munich Re Retakaful</i>	Soh Wai Sun (Jack) <i>MCIS Zurich Insurance Berhad</i>
Committee Member – Events	Thai Mei Lih <i>Prudential Assurance Malaysia Berhad</i>	Krystle Lim <i>Great Eastern Life Assurance (M) Berhad</i>
Auditor	Tan Kok How <i>ING Insurance Berhad</i>	Lim Kuan Hong <i>Bank Negara Malaysia</i>
Immediate Past President	-	Liew Pek Hin <i>Malaysian Life Reinsurance Berhad</i>

Solvency II Developments in Europe, Impact of Low Interest Rate Environment, & Enterprise Risk Management (4 March 2013)

Written by Phang Nyuk Choo

On 4th March 2013, the ASM held a talk on three topics: Solvency II, low interest rate environment and ERM. Being held at Menara Zurich, the talk started at 2.30 p.m., with the first topic being ERM and risk appetite, presented by Elliot Varnell. This was followed by the



topic of low interest rate environment by Richard Holloway and Nigel Knowles, and finally, Solvency II by Elliot Varnell.

Being a consulting actuary at Milliman's London life insurance practice, Elliot Varnell is also the chair person of ERM Research Development & Thought Leadership Committee at The Faculty and Institute of Actuaries. He is an expert in ERM and economic capital advisory in the UK and Europe. He is also well known of his expertise in Europe insurance regulatory framework, Solvency II requirements and internal model issues. Speaking about ERM and risk appetite, he first reviewed MAS (Monetary Authority of Singapore) ERM paper which proposed a few requirements to be added to the regulations of insurers. He then showed a few versions of risk appetite and risk tolerance definitions before explaining the mechanism of risk appetite and its stakeholders. He also elaborated on risk



appetite design and the execution of risk appetite by the executive based on the Board's decisions. He closed this topic with some information of

related researches, as well as 2012 risk appetite of a few insurers, such as Aviva, Prudential and Phoenix Group.

The next speaker, Nigel Knowles, the Principal and also consulting actuary at Milliman, continued with the next topic, entitled "Business strategies for the current climate". He has in-depth knowledge and experience in financial reporting and risk management, as well as mergers and acquisitions advisory in both Europe and Asia. He first spoke about the zero interest rate policy in the U.S., where the 3-month government bond yield persists at a rate near to zero percent ever since 2009. The low interest rate environment triggered a number of market restructuring measures in Japan. He showed how the insurers shifted their

products from whole life to interest sensitive and protection rich products, while managing cost more aggressively and restructuring sales channels to boost efficiency.

Richard Holloway, the Managing Director of South East Asia & India Life, took over the stage and continued the latter part of the topic. Well known of his role in pioneering the insurance consulting market in India and his rich experience in mergers and acquisitions in South East Asia, he has also undertaken several Appointed Actuary roles for insurers and reinsurers in Singapore and in Sri Lanka. He moved on with the implications of low interest rate environment to policyholders in Singapore and Malaysia markets, in terms of products illustration on benefits and bonuses. The impacts to products could also be seen when par business dominates in Singapore markets, whereas unit-linked business grows steadily in Malaysia. Some insurers experienced higher earnings driven by protection-focused and health products. They also focused on their expense level, cost control and customer service. It is also shown that they promoted more bancassurance business and enhanced their agency professionalization as a measure to improve their distribution channels.

After a short session Varnell returned with awaited topic of the developments in commonly known is very much in the EU in preparing as said to be into effect on 1



of tea break, Elliot the last and much-talk, Solvency II Europe. The three-pillar Solvency II concerned by insurers for its implementation scheduled to come January 2014. Elliot

elaborated mainly on the first pillar, regarding the measurement of assets, liabilities and capital. He gave a good guide on recognizing Solvency II assets and liabilities from balance sheet components. Illustrations on best-estimate cash flow, for both life and non-life businesses, were explained together with the behavior of risk-free rates and their volatility spreads. While talking about the solvency capital requirement (SCR) methodologies, he showed the standard formula method, as well as his so-called “internal models in three minutes” where SCR calculation is interestingly illustrated to be done in three minutes using internal models method. As for pillar 2 and pillar 3, he spoke about the system of governance, own risk and solvency assessment (ORSA) and details on external reporting. He wrapped up the topic with views of different parties from different countries, including France, Germany and the UK, as well as Solvency II progress foreseen in the near future.

ASM Badminton Tournament 2013 – sponsored by MLRe

Written by Ooi Ken Vin

The ASM Badminton Tournament sponsored by MLRe is back again this year as actuaries in the country put their badminton skills to the test and to have fun. The tournament was held in New Vision Badminton Academy in Seksyen 13 and is split into 3 categories, Men's Double, Women's Double and Mixed Double. There was a big turnout for this tournament as a total of 32 teams participated with former ASM President Patrick Cheah participating in it as well. The tournament not only allowed badminton enthusiasts to test their skills but also served as a good networking and socializing platform.

The participants and spectators came as early as 8.30am in preparation for the tournament and were treated with a complimentary light breakfast before the tournament began. Registrations started at 8.45am to ensure all teams were present, followed by a quick briefing from the organizing committee on the teams that will kick start the competition. The badminton tournament is conducted under the rules of the BWF and all rounds are played over the best of 3 sets, of 21 points each. Teams eliminated from round 1 will be paired up in Group B and will compete among each other.



The tournament started off around 9am with the Men's Double, followed by Women's Double and Mixed Double. Due to the number of teams participating, a total of 6 games were played at the same time. The lively spectators and supporters were as busy as the participants throughout the entire tournament, moving around the badminton court to catch the games which they are interested in and cheering for their favourite teams. The tournament progressed very smoothly as teams which are more skilled progressing at fairly quick pace while others battled out in a close competition. As teams were slowly being eliminated, tournament reached its climax around 11am with the finals for certain groups started to play out.



The first winner for the badminton tournament was team Bazinga for Group A Men's Double, consisting of Weng Kern Tang and Jason Lim. The team defeated team LoL in straight sets with a very tight scoreline. This was followed by winners for Group A Mixed Double, Team Mantau and Red Bean Bun, consisting of Krystle Lim and Yeow Tow Leong. The heated battle ended in straight sets with team Bulldog being ousted by a very close margin. The other matches saw team CBAFD, which consist of Teng Phei San and Sam Yeek Chee claiming a convincing victory in Group A Women's Double. In Group B Men's Double, it was a fierce and hard fought competition which ended in a 3 set game. Team Midwest's participant Lim Hern Ee who took part in 2 categories, endured a battle of endurance to claim victory with his partner Yin Kin Ian. All matches concluded at 1.30pm and the winner's medal with the prize money presented by ASM President Yap Chee Keong to the respective winners. As a token of appreciation to the participants and spectators who stayed back for the tournament, a scrumptious meal at KFC was provided.



Once again, congratulations to the winners of the tournament!

Group A

	Men's Double	Women's Double	Mixed Double
Winner	Weng Kern Tang Jason Lim	Sam Yeek Chee Teng Phei San	Krystle Lim Yeoh Tow Leong
Runner Up	Ng Kang Yee Tan Kian Seng	Yeoh Li Qin Han Yuet Ling	Lim Hern Ee Teng Phei San

Group B

	Men's Double	Women's Double	Mixed Double
Winner	Yin Kin Ian Lim Hern Ee	Lim Wei Wei Tan Cheng Hoon	Jason Cheok Nurul Hana
Runner Up	Wong Kar Hin Liew Yew Chong	Carrie Khoo Lim Siew Ting	Han Yuet Ling Joshua Koh

3rd General Insurance & Takaful Actuarial Seminar

In this segment, we have gave out invites to 3 universities to send in their 1 representative to attend the seminar. In this issue, we'll have student Muhammad Aizat bin Zainal Alam from MARA University of Technology on his feelings in attending the seminar. Enjoy the article from the point of view of an actuarial student!

Often we are reminded that it is only in unity do we achieve great success. The 3rd GI and Takaful seminar was nothing short of a great success. As a student eager to learn something new, I was humbled to see this gathering of the region's intelligentsias working their way together to gain new heights in the field of Actuarial Science in Malaysia.

The venue which was at The Royale Chulan was gorgeous and the ambience was set for another historical meeting. What could a nervous young lad like me do in this meeting? Truth be told, I was clueless myself. However the topics discussed did give me an opening about the true reality in the field we are all so passionate about.

The first that came to my mind was the fact that all of the speakers were laden with experience that one could not resist from wanting to hear them speak. I still remember the first speaker, Mr Yoon Yew Khuen of Bank Negara Malaysia.

He talked about the growth of the industry that we, people of laymen terms might not have any idea about. Although, he presented it in a manner that includes the often complicated lingo of the financial world, I was still able to be lucid in his explanations.

Through the presentation, I understood that we are in a country that is developing. Many great things in store for us are yet to arrive. The growth of our insurance industry is a good sign that we are maturing from year to year. The Takaful industry (the Islamic counterpart of the conventional insurance industry) per say has improved to be on par with the overall industry in this nation. It should be highlighted that we are the global leader of the Takaful industry and we are still improving!

Another part of the presentation I would like to touch was that the profession of an actuary in Malaysia is now given a bigger dimension. As the representative of the nation's financial regulatory body, Mr Yoon Yew Khuen described and explained to the audience on the work and responsibilities of a practicing actuary in Malaysia. He has explained to us that the very framework of this profession as it should be exercised. Prior to this meeting, there was no solid rule book for a practicing actuary in Malaysia.

As the number of actuaries continues to grow in Malaysia, the very nature of interdependence on regional and consultant actuaries might change in the future. This is largely due to companies opting to hire their own actuary which might also mean that companies now may not need to consult external actuaries as they can be independent in their operations.

There is so much to write about when it comes to Mr Yoon Yew Khuen's presentation but to leave out in writing on other noted speakers' presentations as well as the financial experts I have met along the way would be a waste.

I was rather astounded to be rocketed straight into the corporate world without having much preparation time for myself. It was not a comfortable situation as I hail from a scheme that is far less formal in its manners. However, the people I have met were the most hospitable. One in particular was Madam Liyana Abdullah of Tune Insurance. She assured me not to be shocked of what I was experiencing at that point of time. The fact that all of us were gathered there showed that they were still searching for the right answers in this field. It is never too late to catch up and understand the whole nature of the actuarial science world. I was delighted to have met such a person.

I was honoured as well to have acquainted with one of the seminar speakers, Madam Nurul Syuhada Azmi. We met during lunch on the first day of the course. I found that she is the signing actuary for several insurers and takaful operators in Malaysia. Talking to her made my understanding of her presentation like a smooth sail.

She talked about the motor insurance industry in Malaysia. The title of her presentation was "The Building Blocks of Motor Insurance". I would preferably not get too technical or detailed on the presentation in this article; however, it was arguably fascinating to hear about the structure of the general insurance in Malaysia.

Another speaker I would like to highlight is Mr. Hussain Ahmad of Towers Watson's. I'm not inclined to overlook other presenters in this piece of article as, if given the enough time and space, I could perpetually write about all the speakers and their astounding presentations.

Mr. Hussain Ahmad, in his presentation reminded the present actuaries to get back to their roots for it is the root that determines the strength of the tree. They were urged to support the career for the wellbeing of the actuarial science world as well as its continuity in this nation. Experiences are worth sharing and it is with that that all actuaries were encouraged to share their piece of knowledge with their juniors.

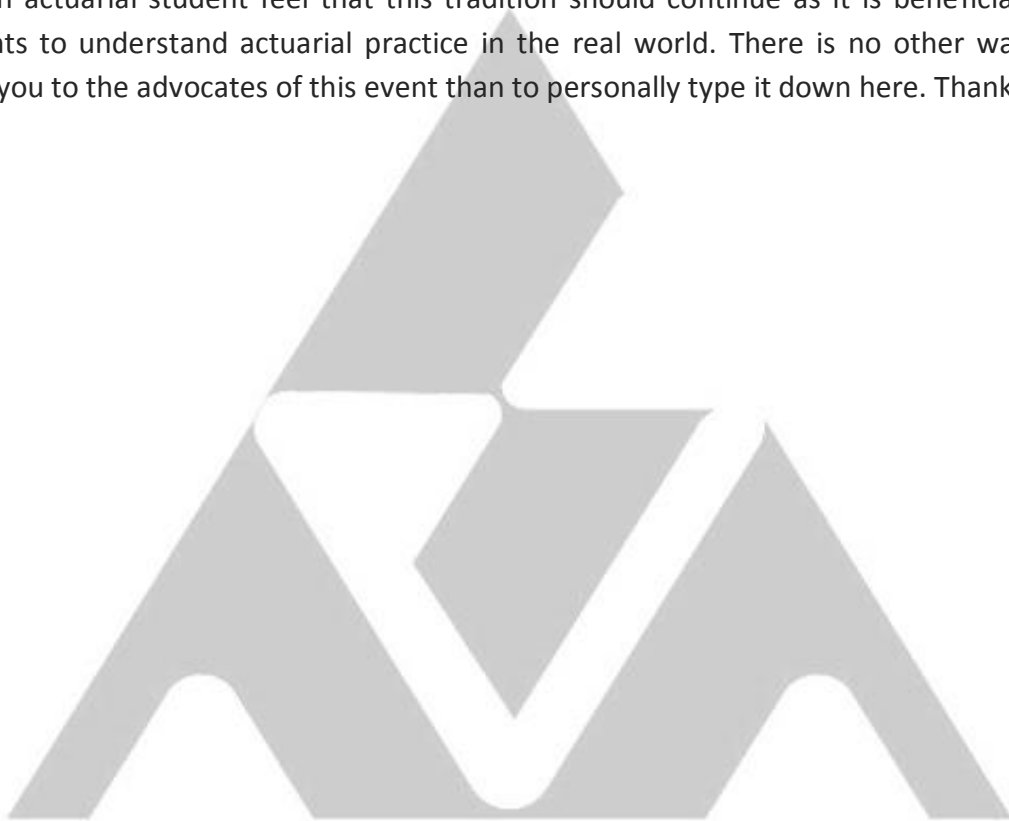
At the end of the seminar, I was introduced to the Vice President of the Actuarial Society of Malaysia, Mr Wan Saifulrizal Wan Ismail. Honestly speaking, I was rather quivering upon meeting him. However he turned out to be the jolliest gentlemen I've met during the seminar. He gave his two cents' worth on what it really means to be an actuary in Malaysia.

An actuary means that we are at two opposite extremes according to insurance companies. To some we are an unnecessary burden while to others we are a crucial asset often needed as one of the factors that determines the health of a company. An actuary utilises what the past had offered to conjure the future. History here does not mean the many volumes of texts shelved in a library. History is a prerequisite key to determine the future where here in

the actuarial world, it is very well alive and it comes in the form of numerals. That is how we project the future. It was an honour to have met Mr Wan Saifulrizal Wan Ismail.

So what was all this writing about anyways you might ask? For me, it was a gathering that was to spark the true potentials of the nation's actuaries. A chance for the nation's financial gurus to gather and reassess the way we see how we do things and how we might need to change for the better in the future.

I, as an actuarial student feel that this tradition should continue as it is beneficial for the students to understand actuarial practice in the real world. There is no other way to say thank you to the advocates of this event than to personally type it down here. Thank you.



Job Opportunities

Company: Zurich Insurance Malaysia Berhad
Position: Manager – Regional Actuarial Role
Location: Malaysia

Company: Allianz Life Insurance Malaysia Berhad
Position: Corporate Actuarial Manager
Location: Malaysia

Company: Allianz Life Insurance Malaysia Berhad
Position: Pricing Manager
Location: Malaysia

Company: Prudential Assurance Malaysia Berhad
Position: Deputy Manager (Projects) – Actuarial Services
Location: Malaysia

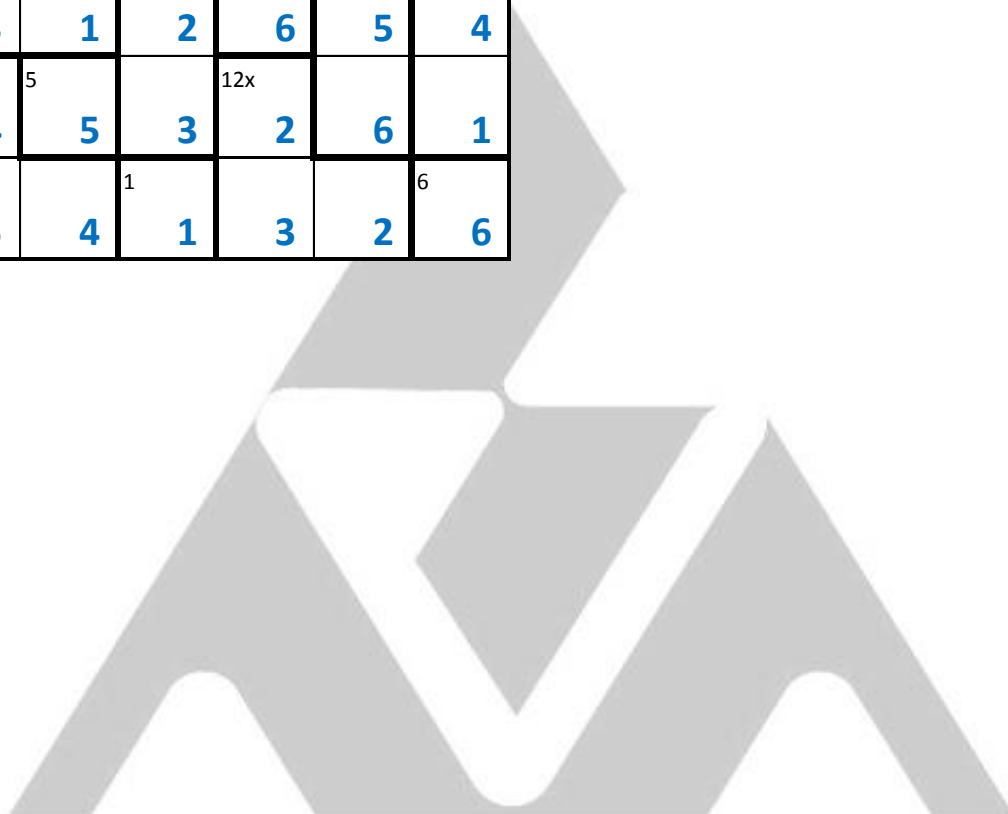
Just for Fun!

Answers to last issue's puzzles are here!

24x 1	12x 3	36x 2	6	70x 7	20x 5	4
6	4	3	5	2	21x 1	7
4	1	210x 5	7	84x 6	2	3
10x 2	5	6	24x 4	12x 3	7	8x 1
210x 5	6	7	3	1	4	2
147x 3	7	8x 1	2	4	180x 6	5
7	2	4	15x 1	5	3	6

6+ 1	2	3	3- 5	5+ 4
8+ 5	1- 3	4	2	1
3	10+ 4	5	1	1- 2
6+ 2	4- 5	3+ 1	4	3
4	1	2	2- 3	5

2÷	30x		9+	3x	
2	6	5	4	1	3
1	72x	6	5	1-	10x
1	3	6	5	4	2
10+	2		6÷		
6	2	4	1	3	5
3		6x		1-	4÷
3	1	2	6	5	4
13+	5		12x		
4	5	3	2	6	1
5		1			6
5	4	1	3	2	6



Just for Fun!

This issue's focus is STILL on **CalcuDoku**.

Objective:

For a grid of N by N, fill all the squares such that:

- the numbers 1 to N appear exactly once in each row and column;
- each set of numbers within the bold lines (a.k.a. block) produce the result indicated in the top left corner based on the given math operation (+ / - / × / ÷).

Within a block, the same number may be used more than once as long as they are not in the same row or column.

Puzzles can be "SingleOp" using only 1 math operation, "DualOp" using 2 math operations or "QuadOp" using all 4 math operations.

Hint: Sudoku skills will also come in handy here.

Examples:

SingleOp, 4x4:

4+		6+	4
3	1	2	4
3+	7+		5+
1	3	4	2
		1	
2	4	1	3
6+		4+	
4	2	3	1

DualOp, 5x5:

1-	7+	10+	1-	
1	2	5	4	3
			4-	
2	4	3	1	5
12+			1-	
3	1	2	5	4
	5	4+		3+
4	5	1	3	2
	9+			
5	3	4	2	1

Now try these!

QuadOp, 6x6:

3÷		45x		12+	
12x			360x		
	3-				
1-	300x	72x	14+		
				2÷	
				3÷	

QuadOp, 6x6:

4x	2-	24x		10+	
		6	1-		
2÷		5÷	6x	15+	
2÷					8+
1-	8+	13+			
			6+		

Answers will be given in the next issue of the Malaysian Actuary.

Have Your Say...

June 2013 Issue

How interesting did you find each section of this newsletter?

Section	Not at all		OK	Very Interesting	
President's Address	1	2	3	4	5
Out & About...	1	2	3	4	5
Error! Reference source not found.	1	2	3	4	5
Error! Reference source not found. Error! Reference source not found.	1	2	3	4	5
Up Close and Personal...	1	2	3	4	5
Recent and Upcoming Events	1	2	3	4	5
Job Opportunities	1	2	3	4	5
Just for Fun!	1	2	3	4	5

How did you find the layout of the newsletter?

1	2	3	4	5
Terrible		OK		Awesome

What would you like to see in future newsletters?

Who would you like to nominate to be the interviewee for "Up Close and Personal", and why?

Any other comments on the newsletter?

Please submit your completed form to editor@actuaries.org.my. Thank you for your feedback!