

MARCH 2014 ISSUE

THE MALAYSIAN ACTUARY



A Newsletter by the Actuarial Society of Malaysia

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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 submitted to editor@actuaries.org.my. Nominations for suitable candidates for the "Up Close and Personal" section can also made.

EDITOR'S NOTE

Greetings to all readers,



A minute of silence in respect to the passengers of MH370 and their loved ones.

I believe that all of us are definitely following the latest update on the news for MH370. It is regrettable to say the least that a sad fate has befallen on the passengers of MH370 and also their loved ones who might still be waiting for them.

In the event of this, the insurance industry has made reports on the expected claims and losses. Be sure to check it out in the section of our "Out and About" specifically on MH370.

Rowing back to the Actuarial Society of Malaysia, we had just concluded our Annual General Meeting 2014 which was held at Berjaya Times Square Hotel. The attendance was convincing as it shows how much our ASM members concern for ASM. We thank you all. Congratulations to Mr. Wan Saiful, Mr. Kelvin Hii, Ms. Charlene Lee, and Mr. Ching Ing Chian on their new appointments in the ASM Council.

Be sure to read on the event coverage for the ASM Annual General Meeting 2014 if you have missed out!

We'll be introducing a new section called "Global Lookout" where we share articles and news from other Actuarial bodies' publications.

Thanks!

Jack Soh, Editor

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PRESIDENT'S NOTE

3 months have passed in 2014. I hope you are on track to achieving your new year resolutions for 2014.

ASM held a successful and well-attended 2014 AGM at Berjaya Hotel on 28th February 2014. I would like to congratulate Mr. Wan Saiful on his election as President-Elect who will take over ASM presidency in 2015 and election of Mr. Kelvin Hii as Vice President of ASM. Congratulations to Ms. Charlene Lee who has been elected as Treasurer. Charlene's previous Professional Development Committee portfolio is taken over by Mr. Ching Ing Chian. I am confident that this new Council line-up will be able to provide better services to ASM members and lift the standards of the actuarial profession in Malaysia. I would also like to thank Mr. Liew Pek Hin, who stepped down from the position as Immediate Past President of ASM, for his many years of invaluable contribution to ASM. In line with professionalization of ASM, the AGM also unanimously approved Disciplinary Scheme and the revised Professional Code of Conduct of ASM.



I shared at AGM that the main focus of this Council for 2014 will be:

- To support actuarial development especially in the area of General Insurance
- To target organizing 45 CPD hours of seminars/talks
- To refine the ASM CPD Scheme
- To develop Actuarial Guidance Notes/Standards
- To provide support to local Actuarial Science students through ASM events
- To strengthen communication and networking platform.

ASM can only achieve the above plans with your strong support and participation.

ASM will organize a variety of events to support professional development of the actuarial profession in April. We will start April with an actuarial talk with 3 interesting topics by distinguished speakers from Gen Re on 1 April. There will also be a "Introduction To R With Application To Claim Reserving" workshop to be conducted by Mr. Seow Fan Chong and Mr. Kelvin Hii on 4th April. In line with ASM's vision of supporting general insurance development, we will organize the 4th General Insurance and Takaful Actuarial Seminar with suitably themed "Changing Landscape" on 28th and 29th April. The seminar is timely in view of the fast changing landscape in general insurance and takaful industry, such as introduction of the Appointed Actuary system in the general insurance industry and de-tariff of motor insurance. I am sure we will be able to organize more high quality professional development programs for our members in the future. Look out for it.

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At the time of writing this note, the search team is still trying to locate the debris of MH370. Our hearts and prayers go to the families of crew and passengers of MH370. Life is so fragile and unpredictable. The least that we can do for our loved ones is ensuring we are adequately protected by insurance so that they will not be hit with hardship should something unfortunate happen to us.....

Take care and best wishes.



OUT & ABOUT...

In the order of oldest to latest:

Tune Insurance has aborted planned purchase of PT Batavia Mitratama due to no substantial progress on approval from FSA of Indonesia

Zurich Insurance has signed a MOU with Bank of China to explore bancassurance opportunities in Malaysia

Khazanah is eyeing more M&A opportunities in Asia

Tune Insurance has entered into a JV agreement with a travel agency to underwrite travel insurance in Middle East and North Africa markets

AMMB and Metlife submitted applications to BNM for regulatory approval for their proposed strategic partnership

PIAM warned that premium rates would go up although the quantum is yet to be determined and did not disclose which class of business are affected.

MCIS Zurich officials declined to comment on the talk that Sanlam is buying a stake in the company

AIG targets to start its retakaful operation in Malaysia by June

Brunei will introduce new guidelines for Takaful sector by June to regulate the commission rates and to set the minimum requirements to qualify as agents

Liberty Mutual is acquiring 68.09% stake in Uni Asia General. Transaction is subject to regulatory approval and is expected to complete by mid-July 2014. Liberty Mutual is the 3rd largest P&C insurer in U.S.

An insurance agent was sentenced to 11 years in jail and 6 strokes of the cane for cheating a housewife RM800,000 on the pretext of selling her insurance policies

254 respondents submitted feedback to BNM on its proposed Life Insurance and Family Takaful Framework. Feedback was received in most key areas. BNM would further engage with stakeholders before finalising

AIA has completed its integration of its two takaful entities

Monetary Authority of Singapore (MAS) has granted conditional approval for Etiqa Pte Ltd to set up a direct life and general insurance company in Singapore

The new financial advisory framework may come on stream this year. The framework will limit product pushing, minimise the number of part time agents and will put financial advisory under one single licensing framework jointly regulated by BNM and SC

Tune Ins plans to enter Thailand via acquisition of 49% stake in Osotspa Insurance Public Co Ltd. The proposed deal is subject to approval from Thailand's Office of Insurance Commission

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



OUT & ABOUT...

*ASM's prayer to families of the passenger
and crew members of MH370*



Willis is the broker for MAS' hull and liability insurance cover

Germany's Allianz is the lead insurer for MAS' aviation insurance

Hannover Re estimates that they would be hit by US\$42.6 million on the potential loss of MAS jet

Etiqua is reported to be the local lead insurer for MAS. Malaysian Re is also said to have exposure for the risk

PIAM's member companies are well-positioned to provide services and pay out claims that emerge from MH370 incident

According to LIAM, 47 of the 50 Malaysians on board MH370 were insured with its 14 members companies

MTA will ensure that its member companies assist and expedite claim processes for MH370 related claims

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

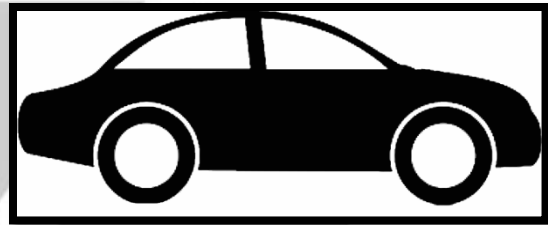
AN ACTUARY'S FIRST HAND ATTEMPT AT BUYING THIRD PARTY MOTOR INSURANCE COVERAGE



By Gary Hoo

This article was first featured in the official publication of the Malaysian Insurance Institute, INSURANCE Nov-Dec 2013.

It was the time of the year to renew the car insurance policy but this time it will be a little different. The Proton Wira which I had been keeping as a second car – it was now 17 years old – actually belonged to my mother who was the registered owner. As is commonly the case with parents and their children, I got to use the car when I left to study in a local university but never got around changing the ownership of the car after all these years.



The car had always been renewed under a Comprehensive private car insurance coverage, mainly because of the 55% NCD that has stayed with the policy for years, which also means I'm not a bad driver! However, although not surprisingly, the Sum Insured in recent times had a minimum required amount and had stayed at RM8,000 for about 4 or 5 years now even though the car's actual market value was probably just about RM5,000.

The complication arose in September 2013 when I decided to give the car away to a close relative and I wanted to help renew the insurance policy for an easy handover. As the car was now in its 17th year, I thought it would be a good idea to switch to Third Party insurance coverage instead as there will not be any more NCD under the new ownership. The existing insurer told me that because it will be under a new owner, it will be considered a new policy for which they are not allowed to offer Third Party coverage. I then asked if they could do Comprehensive coverage instead, to which they also indicated that it was not possible as even with a minimum Sum Insured of RM8,000, it was still below their minimum target premium. And so, I was rejected without them giving me much other alternatives other than going to MMIP.

Not wanting to use my connections (a CEO of a very large insurer casually mentioned over lunch that if I had approached him, he would have approved the coverage), and wanting to experience how it was like being the average man-on-the-street, I went on a Third Party private car insurance coverage hunt. I had

also decided that I would not of the additional loadings it because I was so certain I could insurer.

As confident as I was, I found get the Proton Wira insured must have asked 4-5 other Comprehensive coverage and that because the car was in its (unless I perhaps take up a “voluntary” driver’s PA policy, according to an agent I spoke to), apart from one company. And so, I ended up with a Comprehensive Takaful motor policy, at a minimum Sum Insured of RM10,000 (25% higher than what it was insured for the previous year, and at double the car’s actual market value!) with the premium being approximately RM500 – probably just meeting their minimum target premium requirement as well.



go to MMIP, not just because would impose, but also somehow get it insured with an

out that it was impossible to under a Third Party policy – I insurers. They could only offer even then, they generally said 17th year, they could not do it

Alternatives & Analyses

Being an actuary, I can appreciate why insurers have to act the way they do especially with their hands tied when it comes to the premium rates. A lot has been said about the existing Motor Tariff and how it is time to call an end to it. I fully support this move, as it will mean moving into a more accurate risk-based pricing structure. But how about now itself, can’t insurers do something before 2016, the expected year of the de-tariff? And what could have been done in my situation?

The strict underwriting rules by insurers to reject all old vehicles beyond a certain age is understandably a convenient way to eliminate the risk of underpricing as typically old cars have low values, hence low premiums. However, it is interesting that this argument is based on the minimum premium target theory – that there is an amount to achieve to make a risk acceptable. If this amount relates to the cost associated to possible third party bodily injuries where the tariff rates are insufficient – loss ratios are currently around 250-300% - then I fully understand, especially for Third Party insurance policies. It is highly unlikely that Third Party policy premiums are sufficient to cover expected claim costs.

However if insurers are looking for a minimum premium of RM500 per Comprehensive policy, their analysis may be flawed – i.e. is the cost of Own Damage (“OD”) claims which rises with the value of the car accurately incorporated for each risk they underwrite? An expensive car at a high Sum Insured would surely incur larger OD claims, requiring the minimum premium to be much higher than that of an old car at a much smaller Sum Insured. An actuary would be able to provide insight to the insurer as to whether the minimum premium should actually be just RM300 for such really old cars like my Proton Wira and gradually increase it to above RM1,000 and beyond the newer the cars are, instead of a blanket minimum premium of RM500, for example.

Another aspect to consider is to offer Third Party Fire & Theft coverage in place of basic Third Party insurance policies. Recent industry statistics would indicate that certain insurers have moved strongly into this area. In my search for an insurance policy for my Proton Wira, not once was I offered this

coverage. If certain large insurers are writing it, much more than they are writing Third Party policies, then it may warrant a second look by insurers who have not considered this option. Are these insurers taking on high risk for high returns or do they know something that other insurers do not? Could this be an alternative to consumers like me who were looking for a simple Third Party coverage but ended up with an expensive Comprehensive policy?

Preparing for the Rio Olympics

Even as 2016 draws closer by the day, I begin to notice more activity in the pricing scene for general insurers. More companies are hiring actuarial resources, some to set up pricing capabilities, some to further strengthen the teams they already have. I believe this is the next wave of growth and demand for actuaries in Malaysia – the previous one being in reserving/valuation and capital when RBC was introduced. Companies that start early will go a long way in gaining a significant advantage, in time for the de-tariff of premium rates. And even now, with the benefit of such analytics, these insurers can take advantage of their deep motor claims knowledge to underwrite based on risk under the current tariff structure. They can identify risks that have acceptable premium rates and those that do not when compared to the current tariff, and do it more accurately than crude methods one normally sees from simple summaries of claims experience such as one-way tables.

The sophisticated insurer will need to consider internationally recognized tools such as Generalized Linear Modeling to determine accurate claim costs to arrive at sufficient premiums. Failing to do so in time for 2016 will mean that they will be a follower rather than a leader in selecting and pricing risks. It has been widely published that other markets that de-tariffed immediately experienced a drastic fall in premium rates as insurers no doubt wanted to retain or even increase their market share, some having to take premium cuts to ensure this. It is not surprising why this had to be done: without enough top-line revenue, repercussions could include losing market share and hurting their reputation as a market leader, possibly affecting cash flow and claims- and expense-paying ability (such as staff salaries), incurring the concern of shareholders and if listed on the stock market, sending their share prices plummeting if not properly addressed and managed.

The next Olympics will be in Brazil, the same year as the expected de-tariff of Motor premium rates. Even now, athletes are already training, competing and preparing themselves for this once-in-every-four-year sports extravaganza. The fittest and strongest will emerge victorious, where countries with traditionally proud records will likely continue to dominate. But a few lesser known athletes and countries may spring surprises and capture the hearts of the spectators and audiences worldwide.



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The same mindset should apply in the case of general insurers in Malaysia preparing for the de-tariff, which is surely of more importance as it is not a once-in-every-four-year event that repeats itself like the Olympics, but probably just once-in-a-lifetime. Insurers that have strong international ties will be at an advantage with superior analytics – both tools and resources – available to them, but this does not mean that there is no hope for the rest. As we move into 2014, it remains just two years for companies to formulate pricing strategies that are properly thought through, adequately prepared for and actuarially resourced to emerge as victors in the future Malaysian motor insurance landscape. Will it be a big victory lap with supporters and spectators cheering your great success, or will be a quiet plane ride home with heads bowed low come 2016?

Gary Hoo is Principal for JPWALL Consulting Partners Malaysia and has a deep interest in the actuarial development of the general insurance industry in Malaysia. He is a Fellow of the Casualty Actuarial Society and is a Fellow member of the Actuarial Society of Malaysia as well as the Singapore Actuarial Society.



GLOBAL LOOKOUT...

THE ELEPHANT IN YOUR OFFICE – SPREADSHEET RISK



By Phil Scott - ps_cons@bogpond.net.au

This article was originally featured in the official publication of the Actuaries Magazine, a monthly publication of the Institute of Actuaries of Australia

<http://actuaries.asn.au/Library/AAArticles/2013/ActuariesOCT2013pp16to17.pdf>

These days, risk management is a hot topic of interest. ERM, risk appetite, LAGIC, ICAAP... they're all about managing risk. Insurance risk, market risk, credit risk, operational risk, reputational risk... the list is endless. Identify it, measure it, report on it, mitigate it, manage it – enough work to keep many of us busy for the rest of our working lives.

However, for most of us, there is a huge elephant lurking in our risk management room – an obvious source of risk that we encounter every day, possibly without realising it; a risk we probably don't identify or report or manage, because we're too busy living with it. In fact, when we do report and manage our other risks, we probably use this source of risk to report and manage it for us!



I am talking about the humble Excel spreadsheet.

Some Scary Spreadsheet Statistics

In July / August, I did an Insights session called Spreadsheets: Blessing or curse? The session examined the pros and cons of spreadsheet usage. Building on from that base, I want to examine in this article just

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one aspect of the 'spreadsheet problem' – the huge risks spreadsheets pose to our business enterprises, and what we need to do to manage that risk.

Firstly, let's identify the problem by mentioning some very scary facts (all sourced from http://mba.tuck.dartmouth.edu/spreadsheet/product_pubs.html, an extensive survey of spreadsheet practice carried out by researchers):

1. The average technical worker generates nine new spreadsheets per week. If just 1% of those spreadsheets can be considered "major" developments, that adds up to five new major spreadsheet per technical employee p.a.
2. For such 'major' spreadsheets, the average size is more than 1000 cells.
3. Spreadsheet audits show that, for those spreadsheets presented for external review, 94% contain errors, and between 5% and 7% of individual cells contain errors.

That adds up to a lot of spreadsheet errors waiting to impact your bottom line. True, most errors are non-material... but not all of them. Recent history shows us that, even in the most well-regulated offices, major errors can creep through:

- Two of Australia's top four banks have suffered significant (and very public) reputational damage as a result of spreadsheet errors. In one case, the bank had to suspend trading and report a \$2.8 billion security breach; in the other, the error triggered a 13% drop in share value in a single day.
- In 2010, MI5 bugged over 1000 totally innocent phone subscribers because of a spreadsheet error. (Thank goodness the mistake wasn't in their 007 division!)
- Fraud is a risk we don't often contemplate, but a single rogue trader at Allied Irish Bank in the early 2000s manipulated external links in the bank's reporting spreadsheets to falsify his personal trading position. Neither internal review nor external audit picked up the deceit until he had defrauded them of \$700 million.



There are many, many more examples of this sort of thing - you can look them up for yourself at <http://www.eusprig.org/stories.htm>. It is sobering to read.

What Can We Do About It?

In almost every financial institution, the statutory accounts, the actuarial liabilities, the capital position, the profitability of new products and the valuation of investment assets are all

heavily influenced by spreadsheet processes, so this is obviously a source of risk that actuaries need to care about.

But what can we do about this huge elephant in our risk management room?

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We cannot eliminate the risk – spreadsheets are too endemic in our world, and there are powerful and compelling reasons why that is so – so we need to learn to mitigate it.

One obvious solution is to check all spreadsheets thoroughly. This, of course, is an essential part of those spreadsheets that are used for major reporting or external purposes. However, as a general solution,

it has major drawbacks. Firstly, it is time- consuming and expensive. Secondly, it is incredibly hard to do well (have you ever tried to thoroughly check someone else's spreadsheet?). Thirdly (and most importantly), it does not allow for the fact that spreadsheets are dynamic tools – that is one reason they are both popular and powerful. Some of the most significant spreadsheet errors creep in after they have been thoroughly tested, when someone makes a seemingly insignificant change that introduces some not-so- insignificant corruption to the logic.

The next obvious solution is to develop spreadsheet standards. However, in my experience (and this is backed up by the same surveys referred to earlier), such an approach on its own does not work. There are just too many spreadsheets out there to be controlled effectively by anyone apart from the developers themselves. The only spreadsheet standards that can possibly work are those that are 'owned' by the technical staff themselves; the only practical discipline that stands any chance of being successful is self-discipline. And such self-discipline does not occur naturally.

The Missing Ingredient

I believe the missing ingredient is simply this: training for all your technical staff. But not the sort of training you normally get – advanced functionality logic, all the technical stuff that most of us already know, or can pick up from a colleague – but training in how to design and build spreadsheets that minimise long-term risk. I call this training in reliability.



Reliability is more than just getting the right answer to the current problem. It is also about having a right process, so that you, and the people that rely on your work, can prove your answer to be right. It is about being easy to debug, user-friendly, safe to use and modify, and flexible and transparent.

You can tell within 10 minutes of opening it for the first time whether a spreadsheet you have been given is reliable or not. Why is that? Because if a spreadsheet is reliable, you can tell straight away:

1. What the spreadsheet is doing (and where to look for the calculations);
2. What inputs it is using (and where they come from); and
3. What each worksheet is there for (and how it fits into the big picture).

In other words, 10 minutes after opening a reliable spreadsheet, you are ready to focus on checking and reviewing the calculations - not trying to find them!

The Lost Art of Reliable Spreadsheets

It continually surprises me that reliability in spreadsheeting does not receive more prominence than it does. Reliable spreadsheeting is not rocket science. It is not even as difficult as actuarial science. So why is it so rare among otherwise highly intelligent technical workers?

The simple answer is that it requires skills that most technical workers are not naturally good at. It is as much art as it is science. It involves thinking about inputs, calculations and outputs – the things your users are interested in – rather than just the calculations.

The bad news is that these skills do not come naturally. The good news is that they can be taught – and quite easily taught, too. You can teach yourself from first principles - many have done so in the past, and will continue to do so in the future – but this is a very piecemeal approach to a major business problem. Alternatively, my business (for one) runs an all-day training course called Reliable Spreadsheeting where these skills are taught, and, in my experience, technical people respond extremely positively to any training they receive in this area. And it's not that hard to see why – if you teach people to build spreadsheets that are easy to use, they are the beneficiaries as much as anyone else.

It All Starts With Reliability... If you start with reliability training, the rest of the process of risk mitigation falls into place neatly.

1. If you train your technical workers the principles of reliability, and discipline them to apply these principles in even the most trivial spreadsheets, they will quickly become second nature.
2. This means that, when they develop those few major spreadsheets where all the risk is concentrated, they will already be engaged in risk mitigation before they start!
3. Layered on top of this, you are now in a position to develop spreadsheeting standards that can apply to those major spreadsheets, but the difference now is that those standards will be owned by the workers who need to use them. They will even start to police each other in applying the principles of reliability.

The result will be a quantum improvement in the quality of your technical spreadsheets – for very little extra cost, too! This means risk mitigation – far fewer errors – but it also means much lower ongoing costs. The same surveys referred to earlier report that less than 20% of major spreadsheet developments last more than two years – but reliable spreadsheets can last up to 20 years without major re-design. Do the maths!

(For information on the Reliable Spreadsheeting training course, please contact the author on the above email address and he will be happy to oblige you).

GLOBAL LOOKOUT...

ACTUARIES TAKING THE LEAD

THE ACTUARY'S LEADERSHIP JOURNEY – FROM TECHNICAL SPECIALIST TO TRUSTED ADVISER



By Andrew Brown - Andrew@leadfirst.com.au

This article was originally featured in the official publication of the Actuaries Magazine, a monthly publication of the Institute of Actuaries of Australia

<http://actuaries.asn.au/Library/AAArticles/2013/186TakingLeadpp4041.pdf>

A catalyst is added to the beaker, a chemical reaction occurs and the contents are miraculously transformed, particle-by-particle. Transformation of compounds, transformation of human beings. The first time I heard the story of the Hero's Journey, I had a similar transformational experience. My own past story, my triumphs and struggles seemed to shift and change, previously unseen connections between events became apparent and gave new meaning to much of my own journey. Looking through the lens of the Hero's Journey, life would never seem the same again.

"The privilege of a lifetime is being who you are."

—Joseph Campbell

The Hero's Journey, often referred to as a leadership journey, is a narrative that describes the challenges we face and how we overcome these. It is based on the work of Joseph Campbell, a social anthropologist who studied different cultural groups throughout history and their central myths. What he discovered was a common story, which he described as the Hero's Journey. His ponderings on why disparate cultures that evolved separately would have one central story led him to a hypothesis – as human beings we are all hard wired to seek out meaning, to adapt, to grow and to learn.

What are the stages of the Hero's Journey? What kind of journey may be necessary to traverse the actuarial path from technical specialist to trusted adviser?

Stage One – A Call To Action

The hero's journey begins with a call to action, as their life circumstances change and they are called to be in the world in a different way. It may be that great opportunities emerge and they have the opportunity to explore these, or it may be that they are becoming less relevant or effective as they currently are - if they do not change they will face a diminished future. On the journey to trusted adviser, it may be feedback from key clients or a manager that you have to take development opportunities from in order to progress or to overcome current limiting perceptions that people may have.

Stage Two – Refusal Of or Answering Of The Call

Refusal – often when the hero is called to action, they initially refuse the call. The effort and hardship of change often don't appear to be worth the benefits. The ground the hero currently stands on appears safer than the invisible bridge in front of them. For the actuarial journey to trusted adviser, the refusal of the call may sound like "...technical is enough", "...our audiences need to change, not us!" "...it's too hard, we aren't wired like that", "...there's nothing much else we can do." And there may be circumstances when these responses are appropriate! But we need to be careful to discern between hiding behind these as reasons not to change and when there is genuine value in maintaining the status quo.

Answering the call and crossing the first threshold. The hero truly begins their journey when they accept that there are better options available than maintaining the status quo. In an actuarial context, this may be the realisation that to fulfil your career aspirations will require a breadth of capabilities well beyond the capabilities taught through the examination system.

Stage Three – Trials, Enemies and Allies

In this stage, the hero embarks earnestly on their journey, only to find challenges they didn't imagine as they set out. Trials and enemies seem to block progress and the road gets harder and harder. A mentor appears just at the moment that all seems hopeless.

Trials that may appear in an actuarial context include building new capabilities or operating in new markets. We may need to dip our toes into areas where we won't have expertise (e.g. communication, engagement, emotional intelligence, and may come across obstacles that we didn't even see. For professional groups that are defined by their expertise, this may feel like a near death experience, like we are venturing into areas where we are no longer the expert.

Enemies – those that are closed minded to the profession, or people who have already begun a course of action to which the actuarial analysis may be an obstacle, or people that see actuaries as competitors. Enemies will reveal themselves through the subtlest of means – stereotyping of actuaries, limiting the involvement of actuaries in certain initiatives, or asking the actuary to sign-off on a proposal after recommendations have already been made. Sometimes the enemies may be within the profession.

Allies – Actuarial mentors and mentors from outside actuarial profession who respect understand what we bring to the table. These are people who have a vested interest in the actuarial viewpoint being expressed.

Stage Four – The Abyss, Facing Into The Dark Night Of The Soul, The Second Threshold

In the darkest abyss, the hero faces their greatest enemy, themselves. At this moment the hero truly awakens to the realisation that they are responsible for their own future. They paradoxically discover their own extraordinary power when they let go of the desire to change the things they cannot change and focus on what resources they have. This journey of self-discovery leads to beating their own unique path and opening out to the world as a new expression of their original self. This truly is the leadership moment, the moment that defines the hero.

On the path to trusted adviser, the dark night of the soul may be letting go of the text book, the technically correct solution, and diving into the water of the client's challenge. This means exploring the deep and murky myths of the client's underworld and helping them discern a way forward. This doesn't mean turning our back on all that we have learnt, though it may mean applying our wisdom from a deeper context within which the challenge lies. It means finding our powers as applied business people and building a solution from there.

Stage Five – The Ascent

Once the hero discovers their own way, the universe appears to open up new possibilities. While there are still many trials and enemies, the hero has sufficient efficacy to continue on and face these trials successfully. What were previously major obstacles become hurdles to clear on a much broader horizon.

Actuarial Context – clients begin to open up and see the actuary as a business professional. Colleagues, superiors and clients start seeking advice, listening, trusting, and bouncing ideas. Partnerships begins to form. The most difficult of clients become opportunities to develop further capabilities.

Stage Six – Return To The Normal World

The hero crosses the third threshold back into the normal world, bringing with them the gifts of the journey, their new found wisdom and insights, to share with their community.

When I have used the hero's journey in personal leadership programs, the most challenging concept for many people to accept is that all significant change journeys have gifts – particularly people who have been through dramatic life changing experiences.

When people are in the middle of change, they can often only experience the pain of loss, and aren't ready or able to see any possibility of gift. It is often only with the benefit of hindsight and distance from the event that we can learn to appreciate what we have gained rather than be consumed by what we have lost. One gift that comes up regularly is resilience.

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Actuarial Context – the gifts that the actuary brings as they become the trusted adviser are many at both an individual level and for the profession as a whole – increased credibility of the whole profession, mentoring others who are on the same journey, opening career doors that weren't open previously. There is also a realisation that a technical basis is the foundation for trusted adviser – how our expertise is applied and shared is what evolves through the journey.

At the heart of the Hero's Journey¹ is the opportunity to find real meaning in the life's work we have chosen and to beat our unique path. In the words of Joseph Campbell: "Follow your bliss and the universe will open doors for you where there were only walls."

¹ *The Hero's Journey: Joseph Campbell on his Life & Work, 2003*

The Leadership and Career Development Committee of the Institute of Actuaries of Australia regularly promotes leadership and career development of its membership through a variety of leadership events, leadership articles and mentoring programs. Andrew Brown, on behalf of the Committee, writes a regular leadership article in Actuaries magazine, on how contemporary leadership themes relate to the work of actuaries. This article on the Hero's Journey is taken from the December 2013 edition of Actuaries magazine, a publication of the Institute of Actuaries of Australia.



ASM SURVEY

“Prefer to write your opinions, thoughts, ideas rather than saying it out loud?”

“Think that the pen is mightier than the sword?”



ASM will be giving you a chance to do so!

ASM Survey 2014... You definitely can't miss it!



RECENT & UPCOMING EVENTS

RECENT

December 27 2013	ASM Gathering + Xmas
January 23 2014	Derivatives Presentation & Workshop
February 28 2014	ASM Talk + Annual General Meeting 2014

UPCOMING EVENTS

April 1 2014	ASM Talk with GenRe
April 5 2014	Claims Reserving Workshop
April 28-29 2014	General Insurance Seminar
TBD	ASM Badminton Tournament

ASM GATHERING & XMAS 2013

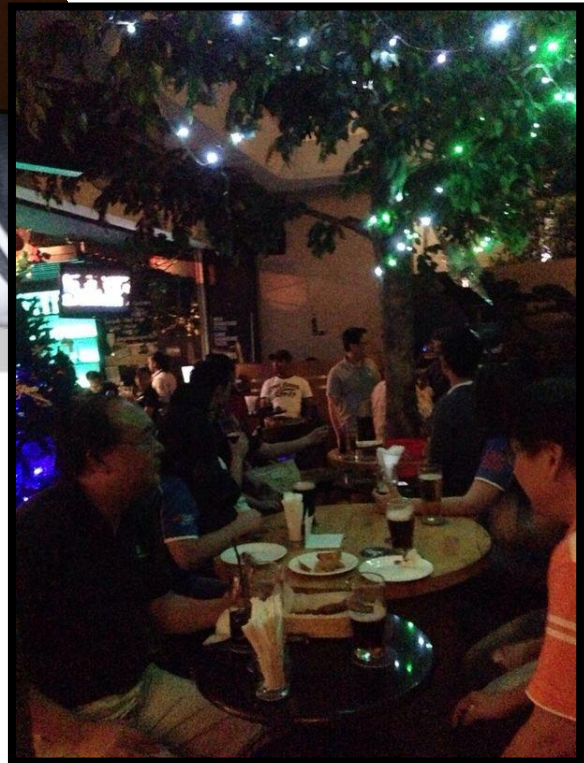
By Lim Weng Soon & Jack Soh

The very last Friday of Year 2013, 2 days after the Boxing Day, ASM held the year end gathering for all members to attend: The ASM Gathering & Xmas celebration 2013. The event was organized by the ASM event committee and partially sponsored by MLRe where the location was at the hip place, House @ G Tower. The event was held from 6pm till 9pm. Just what you expect for a Thank God It's Friday event.

Best things yet, it was Free of Charge. You heard it right. FOC!

Food and beverages served were enough to satisfy all those who were lucky because they were able to attend that fun event. Just look at the pictures below to see everyone's happy faces.







It was a brilliant night. Definitely a good way as we end and part with the year 2013. May 2014 be a great year ahead.

DERIVATIVES PRESENTATION & WORKSHOP

By Jack Soh

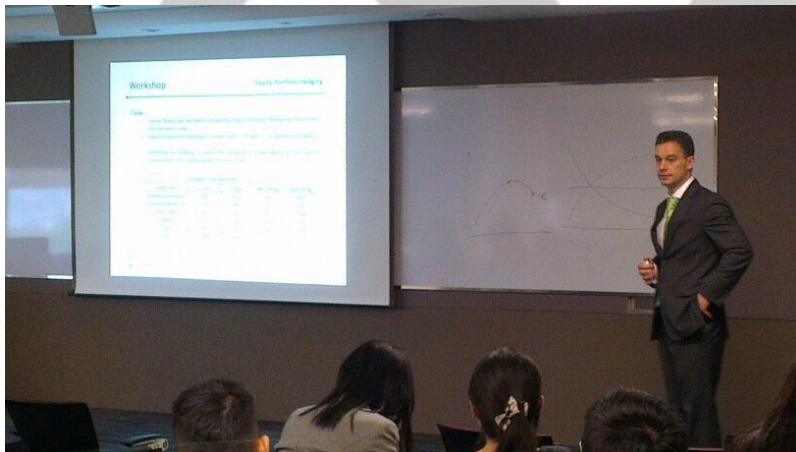
The Derivatives Presentation and Workshop was held at Menara Great Eastern on the 23rd of January 2014. The event looks into the introduction to derivatives and usage of it in the life insurance companies. A workshop is included as part of ensuring the participants are able to apply the info they've gained from the presentations.



The speaker, Mr. Mark Hoogendijk, from E8 Consulting Asia is the Managing Director of the derivatives research and consultancy firm where he has specific expertise in the Life Insurance sector. Prior to founding E8 Consulting Asia, Mark worked for more than 12 years with various Investment Banks as a Derivative Specialist & Advisor for Financial Institutions. Mark has worked with many Insurance companies here in Asia, for example in Hong Kong, Taiwan, Singapore but also in Australia.

His presentation started off with an introduction to derivatives where he talked on equity options. Under the equity options, a call is denote as the right to buy but not on the obligation. A put will be the right to sell but not on the obligation. Here, he mentioned that most banks do not hedge their interest rate risk. The hedging of derivatives is done though looking at the delta using the Black-Scholes formula.

Some terminologies that Mark brought up were the European or American exercise of derivatives, physical cash settlement, exchange traded or over-the-counter, and the Asian options which is path-dependent.



Mark then continues on where equity market has a fat tail and its volatility impact towards short term options or longer term options. A common practice is where insurance companies tend to hedge during the time where volatility is high. At this, Risk Management should exert caution and suggest for hedging to be done

when volatility is low as volatility may change and go up fast.

Interest Rate Swap (IRS) is to swap out interest rates payment based on a fixed interest rate and floating interest rates according to a predefined payment schedule and notional amount. Mark showed a few example scenarios depicting the IRS definition. Mark noted that actuaries should educate themselves to

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understand the underlying instruments and apply it themselves instead of constantly relying on the bankers.

Mark pointed out the types of IRS available and in definition that swaption is where buyer has right but not obligation to enter into an interest rates swap with a given maturity, at a specified fixed interest rate and on a specified future date (expiry date). IRS could then be used to hedge reinvestment risk.

Mark then shares his view on how insurance companies apply the usage of derivatives in their managing of investment and risks. Here he shared a few instances on actual life insurance companies and their practice in using derivatives.



The participants were given a workshop session where it covers assignments which participants were to work on the given tasks based presentation materials. The presentation and workshop ended after the question and answer session by noon.



ASM TALK & ANNUAL GENERAL MEETING 2014

By Jack Soh & Wilson Liong

The ASM Talk and Annual General Meeting 2014 for ASM was held at Berjaya Times Square on the 28th of February 2014. The ASM Talk was scheduled for 9am while the Annual General Meeting was scheduled to kick start at 11am.



The ASM Talk started off with a presentation by Mr. Chin Tze How on the topic of Marketing. He started off by comparing on the difference between Marketing and Sales: Marketing vs. Sales. Here, he showed a video to define on this Marketing vs. Sales. In my opinion, the video depicts that Marketing focuses tend to be more subjective and impactful presentation in order to communicate the value of products in such services to the customer as compared to sales which are more figure-oriented or results driven.

Tze How shared with us his day-to-day job which consists of reviewing the sales performance, plan for meetings to address marketing issues, sales performance etc., reviewing brand performance management report (this reports depicts how strong is the branding of the company), advertising campaign review where the focus now is in digital advertising, agency product planning, and strategic planning. He shared with us 2 characteristics on good advertising which are advertisements that make you laugh (funny) and those that make you feel touched (similar to adverts from Petronas). Tze How also introduced to the floor on the marketing control cycle which consist of: conceptualize, implement, and monitor.

The second talk of the day was on the topic of “Increasing Penetration through Takaful Innovation” by Mr. Hassan Scott Odierno. He started off with an introduction by stating that in Malaysia, the takaful business is currently very much focused on single contribution products. He too touched base on the recent Life Insurance and Takaful Concept Paper by BNM on the statements regarding the removal of commission and agency related expense limits. The requirement in the concept paper may pose several impediments where as such, it is essential for takaful operator to have these new obstructions cleared.

At the moment, by looking into the market gaps, there is low penetration for low income and younger ages market. He notes that most younger generations practically owns smartphones and this is where Takaful may





venture in selling products via smartphones. Low income groups may be exposed to more Takaful products through the usage of the banking channel or even mosques. The focus in penetrating these markets would be to promote Takaful goals which are protection, lifestyle comfort and savings. Hassan also pointed out the key success factors for Takaful will be: simplicity (easy to understand), low cost, simplified processes (payments and claims), and increase of engagements.

After a short coffee break, the Annual General Meeting kick started at 11am.

The Annual General Meeting started off with the President's address to the attendees and also the President's Report on the course of events for ASM throughout the year 2013. Some of the key items brought up were ASM attempts in bidding for the International Congress of Actuaries 2022 to be held in Kuala Lumpur by ASM and the establishment of a permanent actuarial secretariat in UTAR.

The session then moved on to the Secretary's Report and also the Treasurer's reports. The Treasurer's Reports cover on the current financial standing of ASM and also the budget for ASM's plans during the year 2014. There were several feedbacks and questions raised from the audience in order to clarify on a few aspects to the financial management in ASM by the audience.

Each committee members of the ASM council then presented on their respective sections namely; Professional Development, Communication, Education, and Event.

This AGM 2014 also marks the election of President Elect for year 2014. The President Elect is Mr. Wan Saiful who is the current Vice-President of ASM. With his election as the new President Elect, the vacancy of Vice-President was replaced by Mr. Kelvin Hii whose Treasurer's position was replaced by Ms. Charlene Lee. The final vacant position of Professional Development Committee Member held by Ms. Charlene Lee was then elected to Mr. Ching Ing Chian. The new list of ASM Council 2014 appointments are as follows:



President:	Mr. Yap Chee Keong
President Elect:	Mr. Wan Saiful
Vice President:	Mr. Kelvin Hii
Secretary:	Mr. Lim Weng Soon
Treasurer:	Ms. Charlene Lee
ASM Committee(s):	Mr. Ching Ing Chian
	Mr. Jack Soh
	Miss Krystle Lim
	Mr. Vas Ramanujam

As a close to the ASM AGM 2014, the Professional Code of Conduct and Disciplinary Scheme were presented and approved by the audience. As such, both items are approved and effective on 28th February 2014. Members are reminded to adhere the Professional Code of Conduct and Disciplinary Scheme.

JOB OPPORTUNITIES

Keep yourself updated for any opportunities at our website:

<http://actuaries.org.my/career/job-opportunity-listing/>

Or for employers seeking potential employees, you may submit your application to: <http://actuaries.org.my/career/job-posting/>



JUST FOR FUN

These are the answers for the previous issue:

- 1) 8 children, the sisters have just one brother!
- 2) 1113213211. After the first line, each line describes the previous line
- 3)

7+	2-	30*		72*	
5	4	6	1	2	3
2	6	5	3	1	4
2/		1-	11+		1-
4	2	3	6	5	1
6/			11+	2/	
6	1	4	5	3	2
12+					1-
1	3	2	4	6	5
3	5	8*			
		1	2	4	6

- 4)

R	L	D	O	U	I	E	S	A
U	E	O	R	A	S	L	I	D
I	A	S	E	L	D	R	O	U
L	R	U	I	S	O	D	A	E
E	S	A	L	D	R	O	U	I
D	O	I	A	E	U	S	R	L
S	I	E	U	O	L	A	D	R
A	D	R	S	I	E	U	L	O
O	U	L	D	R	A	I	E	S

JUST FOR FUN

WordDoku: Fill in the grid so that every row, every column, and every 3x3 box contains the letter named under the board. The diagonal will contain an English word.

	I					M		
P				V		I		
			A				V	
			I		T	D	L	
	L						A	
	D	I	P		A			
	E				D			
		D		I				V
		A					P	

Letters: ADEILMPTV

Shuffle: Fill in the board so the sum of each row is the number to the right in the row, and the sum of a column is the number in the bottom of the column. You must use all numbers 1-25.

3	10				56
			8	1	60
7		20		25	75
		11		9	57
			14		77
53	59	83	67	63	1-25

ASM NEWSLETTER CONTRIBUTION TERMS & CONDITIONS

All entries submitted must be accompanied with your name, NRIC (or passport), company name, phone number, corresponding address, and photo of yourself (optional).

Article Contribution – RM100 Cash Vouchers

- Article written must be "Actuarial" related whether in the sense of work, culture, theory, expectations etc.
- Only the articles that are submitted by individuals and published in ASM Newsletter will be entitled for the cash voucher
- Articles that are selected to be published will be notified by the Editor to the individual
- Article submitted must be original and NOT plagiarized from any individuals or institutions
- ASM editorial and council holds the right in editing the articles submitted
- ASM editorial and council holds the right in determining when the articles is to be published
- ASM editorial and council holds the right in not publishing the articles submitted
- Article submitted should be approximately 2 - 5 pages in length using font Calibri 10 Single spacing
- Entries are to be submitted to editor@acturics.org.my
- The promotion will only take effect on articles submitted from Year 2014 onwards
- The expiry of promotion will be notified to all ASM members through email
- ASM editorial and council holds the right to revoke cash vouchers should ASM feels that any articles submitted are against the terms & conditions mentioned or plagiarism

Event Coverage – RM20 Cash Vouchers

- Article written must be ASM –related events
- Only the articles that are submitted by individuals and published in ASM Newsletter will be entitled for the cash voucher
- Articles that are selected to be published will be notified by the Editor to the individual
- Article submitted must be original and NOT plagiarized from any individuals or institutions
- ASM editorial and council holds the right in editing the articles submitted
- ASM editorial and council holds the right in determining when the articles is to be published
- ASM editorial and council holds the right in not publishing the articles submitted
- Article submitted should be approximately 1-4 pages in length using font Calibri 10 Single spacing
- Entries are to be submitted to editor@acturics.org.my
- The expiry of promotion will be notified to all ASM members through email

ASM editorial and council holds the right to revoke cash vouchers should ASM feels that any articles submitted are against the terms & conditions mentioned or plagiarism