Singapore Actuarial Society

Case Study 1 – Changing Jobs

Strong growth in the Life Insurance and Reinsurance market has led to a demand for experienced actuaries.

A has worked for company Z for 5 years in a pricing role and amongst other things he was responsible for producing the annual experience study.

Company Y is keen to enter this buoyant market and has approached A to offer him a position as Head of Pricing. This is seen as a positive career move.

- Should A accept ?
- Y has said that the main reason for offering A a position is so that he can bring his knowledge and pricing tools with him. Should this make a difference to A ?
- Y has also said that they would really like to bring over all of Z's team. Should A agree to helping Y do this.

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Case Study 2 – Letter of the Law

X is a large global insurance group which has recently approved a subsidiary life insurance company in a fast growing market. The management of X is excited about this new company and have in place a comprehensive plans for its growth.B has been appointed as Appointed Actuary of the company and this is a significant opportunity for her. She has never held such a high position before.

As part of X's subsidiary plans they have purchased an office block and hold it in their subsidiaries Life Insurance Fund. Solvency regulations in the country are currently very much at the discretion of the Appointd Actuary, however the local actuarial society has promoted a more explicit solvency approach and B is one of the vocal champions of the new approach. This approach will soon be implemented.

At the first year end the office bloc forms more than 50% of the assets of the fund. For solvency purposes under the new proposed solvency rules a single office bloc cannot count for more than 20% of the assets.

Projections show that the office bloc will comfortably be less than 20% of the fund in one year's time.

On the face of it the life fund would be insolvent if the new regulations, supported by B, were in force.

What should B do

- Ignore the problem and certify solvency.
- Insist that the bloc should only count for 20% of the assets and report insolvency unless the shareholder put in more money.
- Accept the offer from a Friendly Reinsurer who proposes a Reinsurance Arrangement which is disallowed under most solvency regimes.

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Case Study 3 – Relying on Others

C is the newly appointed Certifying Actuary of an established company W. This is his first job with W, however C is an experienced actuary having held the CA position at a number of companies.

When going through the various reserving tools of W he comes across an old programme used to set the reserves for a long tail line of business. The reserves for this line of business are roughly 10% of the overall solvency reserves.

C has a lot of experience with this line of business and feels that the reserves held are very low and are about one half of his expectation.The reserving model is an old Cobol programme and is just a black box.

The previous CA, now on the Board, relied on this model for the last 10 years and was assured by his predecessor that the model was robust and fully tested.

What should the new CA do:

- Continue to rely on the model.
- Qualify the valuation until he unravels the black box.
- Add a relatively small contingency margin for the likelihood that the reserves are too few.
- Add the full amount the CA thinks the reserve shold be.

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Case Study 4 – Competition

Company V is a life reinsurer operating in a very cometitive market. The regulations in the market require all premium rates to be approved by the AA, D.

D has felt for some time that the level of rates for mortality are too low and that the companies quoting those rates sre losing money. D bases her belief on :

- V's own experience
- Comparisons with other markets
- Discussions with competitors Aas. They all say they agree with D.
- Industry experience studies.

D has grave concerns for the long term viability of the market and the reputation of the actuarial profession if his concerns eventuate.

Should she:

- Take her concerns to the regulator.
- Take her concerns to the local actuarial body, implying that actuaries are not pricing business properly.
- Do nothing and wait for losses to correct the market.