



Singapore Actuarial Society

Newsletter

25 June 2008

Editorial

Notes from the President

SAS Forum

Other Events

Council Update

Committee News

Editorial – To invest or not to invest

One of my perennial questions is whether insurers, or for that matter, any public company, should actively invest its surplus shareholders' funds. By surplus, I mean the excess of assets over the company's target solvency capital, which may itself be a function of statutory risk based capital requirements.

What reasons would support this action? Generally the goal is to earn higher returns than if the funds were held in risk free assets. But of course extra returns don't usually arise without taking extra risk. So insurers with large and experienced asset management functions might argue that they can outperform the market and therefore create value. Perhaps that's true, although there seem to be few if any institutional investors who can consistently outperform the market over a long period.

So at best, I can't see this approach generating risk adjusted economic value for shareholders, and at worst, it has the opportunity to destroy value. Total returns may be higher, but if risk has increased proportionally, the increase is illusory.

My larger concern, however, involves the objectives of a company's shareholders. If you buy shares in a funds management business, you presumably like their management style, their competitive position or the prospects of that market segment. If you wanted direct exposure to their *investment expertise*, surely you would simply invest in their funds. So why should a life insurer invest its surplus funds actively – is this the kind of risk shareholders seek? Shouldn't the risk profile be more specifically aimed at the core business, with surplus funds held in low risk assets?

Now I'm just a simple reinsurance branch manager, and don't have the problem of billions of dollars to invest. So I'd be interested to hear your thoughts and in particular, which part of my argument doesn't stack up. Please send me a note – it doesn't have to appear in this newsletter if you'd prefer - by clicking on my name below.

[Andrew Linfoot](#)

Notes from the President

In the two and a half years since I came to Singapore I have been the tutor for the Life Insurance exam of the Australian Institute. Hopefully these tutorials have been useful to the students concerned although I must admit that some of the intricacies of Margin on Services have moved beyond me. Other Australian actuaries provide tutorial help to students of the Australian Institute in other subjects. As far as I can tell this tuition support is only provided for the Australian Institute.

This prompted me to consider what the Society should be doing overall to help our students here in Singapore. Our situation is rather complex with most candidates studying for one of three sets of examinations (UK Institute, Australian Institute and the US Society). There may even be students studying for other examination bodies, the Casualty Actuary Society for instance.

Our limited resources probably mean that setting up individual tutorials for each of the sets of examinations and each of the subjects is probably too ambitious however there may be some help that could be organised. Rather than a top down approach, this is an area where a bottom up approach is probably best, so I call on all students to contact me with any ideas on how the SAS could help them get through the examinations. The Australian exam results will be out on 25 June 2008 so I look forward to see if my tutoring has been at all helpful.

Eric Seah, the Vice President of the SAS has been ill recently. The Council, on behalf of the SAS, sent him a small gift to wish him a speedy recovery.

[Frank McNerney](#)

SAS Forum

Over the next couple of weeks, the SAS Forum series will take a look at the critical illness market from two perspectives. For the first, on 26 June, Mr Wolfgang Droste, GenRe Chief Executive Life and Health will consider the results of a recent Dread Disease survey undertaken by the firm.

For the second upcoming SAS forum, the Singapore Actuarial Society is pleased to welcome back to Singapore an ex SAS Council Member, Mr Lawrence Tsui, Director and Senior Products Actuary for Swiss Re's Life & Health business in the Asia-Pacific Region. Lawrence will be talking on: Cancer Insurance Products

Dread Disease Survey 200-2004, Wolfgang Droste

Date : Thursday, 26 June 2008
Time : 4.00pm to 6.00pm

Cancer Products, Lawrence Tsui

Date : Thursday, 3 July 2008
Time : 4.00pm to 6.00pm

Venue (for both events) : The Executives' Club
#33-01 OCBC Centre (West Lobby)
65 Chulia Street
Singapore 049513

Cost : Paid up Members Free
Non-Members S\$25

Coffee and snacks will be served from 5.30pm. For both events, please pre-register as the seats are limited. Priority will be given to paid up members who have registered. If you would like to attend, please register by contacting Patsy Lau.

If you would like to help with organization of forums, or have a suggested topic or speaker, please contact our Forum coordinator, [Sumit Narayanan](#) or the new Chair of the Education Committee members, [Mark Birch](#).

Other Events: SOA US GAAP Seminar

27 June 2008, Shanghai:

Be quick to attend the US GAAP for International Life Insurers, 27 June in Shanghai. This seminar is specially designed for international actuaries who desire an introduction to or refresher course in basic and advanced GAAP for life insurance companies. Participants will come away with deeper insights into advanced methods, current thinking and alternative solutions to current issues in US GAAP reporting.

For seminar details and online registration, please visit the SOA website: www.soa.org

Discounted registration fees will be offered to members of sponsoring organisations.

Asia-Pacific Risk and Insurance Association 12th Annual Conference

6-9 July 2008, University of New South Wales, Sydney, Australia

APRIA is international, drawing members from throughout the world, but particularly from Asia-Pacific countries. The Association invites participation in its annual conference from all countries, academics, executives, researchers, and government leaders willing to share ideas and to engage in collaborative research for the ultimate benefit of the insurance industry.

Click [here](#) for more information.

SAS – Joint Professionalism Course

Advanced planning is underway for the region's first Joint Professionalism Course (JPC), to be held in Singapore, from 4-7 August 2008. This first of a kind event is designed to meet the Fellowship requirements of 3 of the world's leading actuarial groups – the UK Actuarial Profession (UKAP), the Casualty Actuarial Society (CAS) and the Institute of Actuaries of Australia (IAAust).

In addition, the course also allows UK candidates to meet Associateship requirements or to upgrade previously obtained associateship to full fellowship. Furthermore, a separate one day professionalism refresher course will be available for FIAs who are required to attend such a course every 10 years.

The course will be held at the SMU campus in Singapore, and application forms should be available soon. For further details, please contact [Mark Birch](#) or [Andrew Linfoot](#).

IAAust ERM CPD Course in Melbourne

The Institute of Actuaries of Australia is pleased to advise that the next Enterprise Risk Management CPD Course will be held in Melbourne over five days on 13-15 August and 28-29 August.

This follows the success of conducting the course twice before in Sydney. For the course just completed:

- 93% of respondents rated the guest speakers as “good”, “very good” or “excellent”
- 93% of respondents rated the overall content as “good”, “very good” or “excellent”
- 100% of respondents rated the overall course as “good”, “very good” or “excellent”

The course provides a through grounding in the key areas of ERM and practical aspects are highlighted by the inclusion of case studies presented by guest speakers. The overall aim is that the knowledge obtained will assist actuaries and risk managers in their current roles as well as providing a foundation for pursuing opportunities as they emerge in the risk management field.

For further information and how to enrol, click [here](#).

Council Update

I am standing in for Jill this month while she is taking some annual leave. Your Council met again on 12 June and most matters that we discussed are covered elsewhere in this Newsletter.

In addition however it was agreed that a feature of the new website will be a facility to enable you to update your contact details.

Naturally, we want to ensure that these details are accurate and so we soon shall issue a request to you to advise your current details for Secretariat use. We also intend to enable you to allow other members to see your contact details if you wish to do so and the details form will enable to indicate which details you wish to release and which you wish to retain as private.

I am sure that Jill would wish me to repeat her message of last month that you should not hesitate to contact her if you have any suggestions for the SAS, or if you would like to become more involved yourself.

[Mark Birch](#), on behalf of [Jill Hoffman](#)

Committee News: General Insurance

A big thank you to everyone who participated in the General Insurance survey. With the information we collected we will be able to serve you all in bigger and better ways. Full results from the survey should be available in next month's newsletter.

In particular, due to great demand, we are planning to hold a General Insurance Actuaries conference later this year, possibly in October. We propose to have a broad range of topics, of interest not just to actuaries in Singapore, but to actuaries with business interests anywhere in South East Asia. Please stay tuned to this space for more details.

[Jim Attwood](#)

HEALTH INSURANCE COMMITTEE

Members: Chi Cheng Hock (Chair), Chen Wei Hin, Khoo Poh Huat, Lim Choon Kwang, Moi Seng Yew, Neo Pay Peng, Samuel Tan, Sebastian Tan, Teng Yuen Ning, Brian Wong

The Health Insurance Committee has been organised into two Subcommittees - a Best Practice Subcommittee and a Statistical Analysis Subcommittee. The long term objectives of these Subcommittees are to draft guidance notes on the pricing and reserving of health insurance risks, and to set up a statistical database which will be a useful and reliable resource for health insurance actuaries in Singapore, respectively. Currently, the BP Subcommittee is gathering

resources on regulations and best practice relating to health insurance pricing and reserving around the world to upload onto the SAS website, for ease of reference of members involved in the health insurance sector. The SA Subcommittee is conducting an analysis of data posted on the Ministry of Health website which it will present to the membership at an Actuarial Forum later this year or early next year.

The HI Committee will issue the third Annual Report on Healthcare and Healthcare Financing some time in the second half of 2008. Yuen Ning is liaising with the Institute of Actuaries of Australia Health Practice Section, and the HI Committee hopes to attract an IAAust HPS member to speak at a Forum, on health insurance matters in Australia, to broaden our members' perspective.

The Chair of the HI Committee was recently elected to the Executive Committee of the International Actuarial Association Health Section. This will raise the profile of the SAS in the IAA and can lead to useful synergies between the SAS and the IAA, as well as between the SAS and other actuarial associations, especially on health insurance actuarial issues.

[Chi Cheng Hock](#)

Singapore Actuarial Society
Robinson Rd Post Office
PO Box 376
Singapore 900726

[Patsy Lau](#)
www.actuaries.org.sg