



Singapore Actuarial Society

Newsletter

3 November 2008

Editorial

Notes from the President

SAS Forum

Appointed Actuaries' Symposium

Other Events

Council Update

Editorial – The Long and the Short of It

Over the course of this year, it's become clearer to me that a fundamental premise of the banking industry is that it's acceptable to mismatch the duration of its assets and liabilities.

That's right – banks lend long term (think residential mortgages) and borrow short term (think retail deposits, overnight and other short term instruments). Now of course there are exceptions, but by and large, the duration of many banks' liability portfolios is far shorter than their assets.

Now this seems to work most of the time, when the yield curve is upward sloping (ie higher yields earned for longer durations). However, when the yield curve inverts (uncommon over long periods) or if supply of short term funds is otherwise restricted (like now), a problem occurs.

Being a mortality and morbidity specialist, I'm not big on taking investment risks (you might recall my June editorial), so the matching of insurance asset and liability duration is intellectually appealing. So I wonder why banks haven't tried harder to match their durations.

Is it because the yield curve usually works in their favour, and no-one expected that to change – were the available profits just too tempting? Is there too little demand (to buy) long term debt? – but wait, I hear plenty of insurers bemoaning the lack of long duration bonds in their market, particularly Asian ones.

In my simplistic view of the world, the banking model (of borrowing short and investing long) is inherently unstable, and might be akin to a life insurer guaranteeing a long term minimum return on a policy but investing the proceeds in short term assets due to the higher yield. You might get lucky for a while, but it could well all end in tears.

So how well are you matched, or are there bigger issues to worry about?

As always, I'm waiting to hear your thoughts, and I promise not to quote you out loud...

[Andrew Linfoot](#)

Notes from the President

Today I received an invitation to the Australian Actuarial convention in Perth next April. Seeing as it involved a complimentary registration I think I might take it up this time. This is the first Australian convention I have attended this century. I previously attended every Australian convention from Albury (85) to Darwin (99) via Perth, Cairns, Hobart, Alice Springs, Coolumb and Gold Coast. Adding in a few New Zealand conventions along the way it was a fairly busy time.

The conventions were a good venue for networking as well as allowing you to catch up on some actuarial issues. Although I was surprised to note that a number of the more experienced actuaries stayed up all night playing poker. Putting actuarial theory into practice they said. The venue is important. The venue has to be somewhere remote but not too remote. The best convention I went to was in Alice Springs.

While in Switzerland the habit of attending conventions wore off. Perhaps because I don't play poker. The Swiss actuaries used to have one meeting a year, with a dinner and a day of papers. Not very inspiring.

Where is this all leading to? I think it would be a good idea to start holding conventions for Singaporean actuaries. The East Asian Actuarial Convention serves a useful purpose and Singapore will continue to support it, however an event that only focused on Singapore would be good. As I mentioned the venue is important, initially we perhaps should start slowly, say Sentosa, so as not to frighten our employers by suggesting more exotic locations.

Of course any such proposal has to come from Council, but the President does have some influence. At least we would then be able to return the favour of a complimentary ticket to the Australians.

[Frank McInerney](#)

SAS Forum

As our next guest speaker for our SAS forum, the Singapore Actuarial Society is pleased to welcome Mr Steve Nuttall, Chief Pricing Officer of Pacific Life Re. Steve will be talking on: Corporate risk management - examples from the UK pensions buyout market.

Steve will give an overview of recent developments in the UK Pensions Buyout Market. There are over one trillion pounds of private sector defined benefit pensions liabilities on the balance sheet of UK companies, and a desire to improve corporate risk management has led to the entry of a number of new players in this field, offering both insurance and non-insurance based solutions. As well as providing some background on the different players and approaches being taken, the presentation will cover some of the key issues arising in areas such as investment strategies, longevity risk and capital assessment.

Date : Wednesday, 5 November 2008

Time : 4.00pm to 6.00pm

Venue : The Executives' Club,

#33-01 OCBC Centre (West Lobby),

65 Chulia Street, Singapore 049513

Registration from : 4.00pm

Talk Commences : 4.30pm promptly

Cost : Paid up Members Free

Non-Members S\$25

Coffee and snacks will be served from 5.30pm.

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 ASAP.

About the presenter: Steve has overall responsibility for the pricing, research and actuarial modelling functions across Pacific Life Re's operations. He has 25 years of insurance and reinsurance experience covering a wide range of technical and senior managerial roles. He was most recently an Executive Director at MGM Assurance with Board responsibility for all aspects of actuarial, investment and risk management.

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 Chair of the Education Committee, [Mark Birch](#).

Appointed Actuaries' Symposium: 2 December at Amara Hotel

The SAS will be holding its second Singapore Appointed Actuaries Symposium on 2 December. Last year's event was very successful, with an excellent turnout of senior actuaries and lively discussion of the topics presented. As before, MAS has kindly agreed to participate and we look forward to another successful Symposium.

The financial landscape has changed dramatically over the last few weeks and continues to change, almost, it seems, on a daily basis. The Symposium offers a timely and unique opportunity to exchange ideas and views with other actuaries.

Theme : Challenges facing AAs and Actuaries in today's market

Date & Time : Tuesday 2 December 2008, 8.30am to 5.00pm

Venue : Connection 3 & 4, Level 3
Amara Hotel Singapore
165 Tanjong Pagar Road
Singapore 088539

Registration : 8.30am

Talk Commences : 9.00am

Cost : S\$300 Paid up Members

: S\$350 Non Members

(This event will qualify for up to 7 hours of CPD credit.)

Colin Pakshong

Other Events:

Social Night at Oosters Belgian Brasserie on 9 October

32 members and non-members (with even a partner or two in tow) kicked up a storm at the Oosters Belgian Brasserie on 9 October...no wait, the noisy bunch was the party at the next table... The actuaries and friends were a little more sedate but it was a fun evening even without a single mention of MCEV (!)

Given the success of the last bowling night, we are going to do it again this year in December. Get your teams ready and look out for details soon!

Others

Some students have expressed their interest in setting up study groups. If you would like to form a group, you can submit your name, email address and study subject to me at Sharon-MK.Tan@AIG.com and I will help you get together.

[Sharon Tan](#)

Council Update

The SAS Council, partnered with QED Actuarial has agreed to hold a salary survey for all actuaries and actuarial students in Singapore. This survey will be done electronically and anonymously. As we all know, 'garbage in, garbage out', so it is imperative that you answer the survey honestly. This should be coming to you electronically in the next couple of weeks. It will take about 5-10 minutes of your time and will be done on the internet. QED will collate the results and the SAS Council review it, to ensure that no one will be able to single out a specific actuary from the results. The SAS Council will not be seeing any of the individual responses.

We have a forum on November 5th, at 4pm, with Mr. Steve Nuttall, Chief Pricing Officer of Pacific Life Re who will be speaking on Corporate risk management. As well, the Appointed Actuaries Symposium is on December 2nd. This is a great way to ensure your CPD credits are up to date before reporting next year.

If you would like to be involved with the SAS, either working on a committee, or have a forum topic idea, please do not hesitate to contact me at secretary@actuaries.org.sg.

[Jill Hoffman](#)

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