



Singapore Actuarial Society

Newsletter

26 November 2008

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Editorial – Fat Tails or Shifting Curves?

As the current financial turmoil continues and stock markets plunge to new millennial lows, calls for the suspension or even abandonment of marking assets to market continue with renewed vigour. Some of them even start to sound reasonable. However one suggestion I heard seemed to make a lot of sense to me, and I'd be interested in your thoughts.

I'm no expert, but as I understand it, solvency measures such as Pillar 2 in the UK and Solvency 2 in Europe are being developed on the economic capital a principle of holding enough capital to survive the worst annual loss that would be expected in a suitably long period, like 200 years. Part of the assessment requires that a distribution of asset returns is employed.

Now the suggestion is that with current equity values having fallen so far, regulators should allow some of the existing solvency buffer to be used, rather than simply continually resetting it. I guess this is equivalent to saying that asset prices do not follow a 'random walk', but have some kind of mean reversion tendency. This makes sense intuitively, although watching the current equity markets, one could be forgiven for losing that faith!

So is it valid to say that asset prices are currently out in the tail of the distribution, therefore downside risk is lower, therefore solvency requirements should be smaller? Or do we consider that the distribution of prices has simply shifted and there should be no weakening of solvency?

Alternatively, for anyone who dislikes mark to market as much as Steve Forbes, feel free to suggest an alternative asset valuation methodology that doesn't rely on arbitrary judgments (and is therefore open to being manipulated). Despite the apparent sense of suspending this method during turbulent markets, I haven't heard a good suggestion on what the replacement should be (nor how to define when it should be applied).

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

[Andrew Linfoot](#)

Notes from the President

I was berated the other day for not having Fellow of the Singapore Actuarial Society (FSAS) on my business card. It is not even on my President name card. This oversight I will have to rectify. Many other Singapore actuaries are guilty of the same oversight.

In my case, as for many others, being able to use my actuarial qualification in Singapore derives from being a FSAS rather than an FIA. The examination qualification is important as it gives you entrance to the actuarial profession but your continued membership depends on the body which is your 'regulator'. It is possible, although I am not aware of any case, for a FSAS to drop their membership of their examining body and just be a FSAS. This may in fact happen in future as the fees for all actuarial bodies continue to increase.

Perhaps we should suggest that those members who nominate the SAS as their principal regulator or rely for their status on the SAS, should give prominence to the FSAS designation. In any case some more FSAS's on business cards would be nice.

[Frank McInerney FIA, FIAA, FNZSA, FSAS](#)

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](#)

Inaugural SAS General Insurance Conference on 6th/7th May 2009

The General Insurance Committee of the SAS will be holding its first general insurance conference on the 6th and 7th May 2009 – please mark your calendar now!

The theme of the conference is “A Firm Foundation for Taking Risk”. Actuarial techniques are increasingly used by the general insurance and reinsurance industries in Singapore, throughout the region and globally. We firmly believe that effective exploitation of these techniques will differentiate successful companies from their peers.

To position Singapore as a regional thought leader for general insurance actuarial practice some content will be Singapore specific. The conference will be driven by high quality content and provide access to the latest actuarial thinking and research. The target audience is members of the SAS but the conference will be open to other general insurance professionals and members of other actuarial bodies throughout the region. Possible session topics will be on:

Direct Insurance

Motor Business in Singapore
Motor Business in Malaysia
Singapore Workers Compensation Scheme
Stochastic Reserving
Takaful Insurance

Reinsurance

Natural Catastrophe Modeling
Flood Modeling
Reserving
Large Claim Trends
Terrorism
Asset Liability Modeling

Current Issues

Enterprise Risk Management
Solvency II/Economic Capital
Cycle Management

Anyone interested in giving a paper on any of the session topics mentioned and/or in sponsorship of the conference is kindly invited to contact the GIC ([Jim Attwood](#) or [Angela Koechli](#)).

We welcome student members to assist us at the conference with various logistics tasks.

Please stay tuned for more information to be announced in this newsletter.

[Angela Koechli](#)

Other Events:

2008 SAS Bowling & Dinner Night

Hurry, form your team of 4 and register today as there are only places for 12 teams. This event is FREE for all SAS members. Food and drinks will be provided.

Challenge for the medal (and prizes) of being the Top Bowling Actuary (Male & Female) and Top Bowling Actuarial Team in Singapore. Alternatively, compete for the enviable title (and prizes) of the top Longkang Actuary (Male & Female).

On top of that, there are many attractive lucky draw prizes to be given away. There will be something for everyone!

Date: 3 Dec 2008 (Wednesday)

Venue: Superbowl Marina Square

Time: 6.30 to 9.30 pm

If you are interested to join us in this fun-filled (guaranteed) event to mark the end of another memorable year, please register your team name, team members' names and gender with [Patsy Lau](#) at by 28 November 2008. Places are limited, so sign up today!

Note:

1. Registration fee of \$15 applies to Non-SAS members. Each team must include at least two SAS members.
2. A fee of \$15, including SAS members will be payable for no-show without 24 hrs prior notice.

Society of Actuaries Webcast: 11 December Global Best Practices in ERM for Insurers and Reinsurers

The objective of this webcast is to provide the global actuarial community with new and emerging enterprise risk management (ERM) practices from different geographical regions. This webcast will include speakers from Asia/Pacific, Europe and the Americas offering insight into ERM best practices.

The webcast objectives include:

- Disseminating and promoting global ERM best practices to the actuarial community;
- Offering accessible information about ERM to actuaries;
- Facilitating the discussion of practical and theoretical ERM issue and possible solutions;
- Promoting global standards of best practices in ERM.

Sponsoring Organizations: The Society of Actuaries (SOA), Casualty Actuarial Society (CAS), Joint Risk Management Section, the Institute of Actuaries of Japan, The Faculty and Institute of Actuaries (UK), and the Institute of Actuaries of Australia.

Please click [here](#) for further information and registration details.

2009 Joint Professionalism Course

The Members Education Committee is pleased to announce that the Joint Professionalism Course (JPC) will be held in August in 2009. The venue is likely to again be Singapore Management University (SMU) and dates and programme details are currently being finalized.

Keep an eye on this space for further details of timing and registration.

[Mark Birch](#)

Council Update

As you can see, the SAS has been working to providing learning and growth opportunities for our members. We are constantly striving to ensure an active and educated actuarial profession continues to thrive in Singapore. This past month, the SAS Council met with the Appointed Actuaries for a roundtable to discuss issues facing them today and how the SAS can best serve them and if our Guidance Notes were still current. A lively debate took place, with the end result being that a sub-committee will be looking at the Guidance Notes in detail to determine what, if any, revisions are needed. If you wish to serve on this important sub-committee, please contact me.

As we know all too well, the cost of doing business is increasing in Singapore, and has also hit the SAS. With effect from January 2009, renewal fees will be as follows:

Fellows: \$220

Associates: \$100

Ordinary: \$50

Entrance Fee: \$50

By way of comparison the Hong Kong Actuarial Society is \$285/\$170/\$75, so as you can see the SAS remains good value for your money.

The SAS Council welcomes Walter de Oude as the new head of the Life Insurance Committee. We look forward to seeing Walter's contributions. At the same time, we thank Eric Seah for his past leadership in this role. His contributions to the SAS have been numerous and valued over the years.

For our FIA and FFA members, the Institute and Faculty of Actuaries recently made a change to the way their overseas Fellows are regulated. This has a potentially significant impact on Singapore based UK Fellows, in particular if you elected the SAS to be your prime regulator. Frank McInerney has prepared a short note summarizing the impact of this change and the resulting obligations. Please click [here](#) for a link to this paper.

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.

[Jill Hoffman](#)

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

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