

## Contents

### Editorial

### Message from the President

### Upcoming Events

### Recent Events

### Council Update

### Committee Reports

### New Members

### News & Articles

### Interview of the Month

### Brainteasers

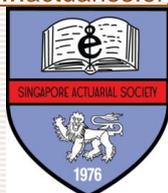
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**Patsy Lau**

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## Editorial.

The upcoming AGM focuses the attention of what the SAS has achieved in the past year and provides opportunity for members to join together for the Annual Dinner which will also be an occasion to thank the many volunteers. Looking back, 2012/13 has been another great year for the SAS with much activity, particularly in the area of CPD events, with many forums and conferences. We now offer many opportunities for members to get CPD credits, and it is also the time of year where CPD declarations should be made.

The last week has seen the SAS submit two responses to the MAS on the ERM and investment consultations papers. The response on ERM had input from many and Raymond Cheung should be congratulated in coordinating all the different views in an efficient manner. All SAS responses are now kept on the SAS website for you to review and it is good to see the SAS building a library of historic responses.

I will sign off with a special thanks to the Council and the many volunteers. We look forward to a fruitful 2013/14 year.

**Richard Holloway**

## Message from the President

AGM is March 15 followed by Annual Dinner and Volunteers Dinner. All positions are open for election, please contact myself or Raymond for more details.

Not standing for re-election are Chi Cheng Hock and Colin Pakshong. Chi Cheng Hock has been a longtime supporter of the SAS and will continue working with the Health Insurance Committee. I will miss him at Council meetings, as he is the keeper of the history of SAS and a great contributor. Colin Pakshong has been a very positive influence on Council, providing his opinion in a thoughtful and collaborative manner. As well as dealing with all the IAA emails! Council and myself thank both for their contributions over the years

**Jill Hoffman**



## Upcoming Events

Date	Event	Location	Contact
15 <sup>th</sup> Mar	SAS EGM/AGM and Annual Dinner	Hilton Hotel, Level 3	Raymond Cheung <a href="mailto:secretary@actuaries.org.sg">secretary@actuaries.org.sg</a>
20 <sup>th</sup> - 21 <sup>st</sup> May	Actuaries Summit	Hilton, Sydney	Actuaries Institute <a href="http://www.actuaries.asn.au/">http://www.actuaries.asn.au/</a>
17 <sup>th</sup> - 19 <sup>th</sup> Jun	Risk and Investment Conference 2013	The Grand, Brighton, UK	Georgina Jenkins <a href="mailto:georgina.jenkins@actuaries.org.uk">georgina.jenkins@actuaries.org.uk</a>
15 <sup>th</sup> - 18 <sup>th</sup> Oct	17 <sup>th</sup> East Asia Actuarial Conference	Resort World Sentosa	Wil Chong: <a href="mailto:Wil.chong@allianzre.com">Wil.chong@allianzre.com</a>

**NOTE:** Please ignore the event “International Conference on Finance and Actuarial Sciences” published in the previous newsletter. This is apparently a fake event and the organising body, WASET, is known for this. Apologies for any inconvenience caused.

## Council Update

We have just celebrated the Chinese New Year (CNY) in February. This is a great time of rejoicing and reunion for the Chinese all over the world. While we are still in the midst of the CNY festive spirit, I would like to wish all SAS members a very prosperous and wealthy year in 2013!

In the next few weeks, we have arranged a number of not-to-be-missed events for you. The first one is an afternoon forum on 25 February, organised by the ERM Committee, to present the draft consolidated comments on the MAS ERM Consultation Paper issued in January. The ERM Committee would be submitting the final consolidated responses to the MAS by the end of February.

On 1 March, we are pleased to run a workshop organised by the Large Claims Working Party of the General Insurance Committee. In this workshop, the working party will teach the participants how to use a free Excel based toolbox that combines various

statistical models for large claims such as natural catastrophes and pandemics.

On 4 March, we have another afternoon forum on the Use of Derivatives by Life Insurance Companies globally. The forum will focus on the reasons why Insurance companies apply derivatives to their books and which instruments they commonly use. There are wide applications such as Risk Management, Investment Diversification, access to international markets, ALM & Capital Optimization.

The next few weeks will be a very busy period for SAS as we prepare for the Annual General Meeting (AGM) next month. This year, the 37th AGM & Annual Dinner has been scheduled on 15 March. Please mark it down in your diary. More details will be announced shortly.

We welcome any feedback and suggestions on how we can serve you better in the SAS. Please email me at [secretary@actuaries.org.sg](mailto:secretary@actuaries.org.sg) or Patsy Lau, our Administrative Executive, at [patsy@actuaries.org.sg](mailto:patsy@actuaries.org.sg) for any SAS matters.

Raymond Cheung



## **Committee Reports**

### **• GI Committee**

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Gung Hei Fat Choi to you all and hopefully most of you managed to take advantage of the long weekend and catch up on some rest and just relax. For those of us in Singapore, it really does seem this year is emphasising the Water part of the Water Snake year with all of the rain we have had.

The committee has been busy with the Guidance and Technical Notes it has been working on. The Liability Valuation Guidance note has been distributed for initial review with an aim of getting the final version out to be voted on by the members at an EGM in March. The Stress Test Technical note is out for consultation and review as it doesn't need to be formally voted on, but hopefully it will prove useful for those working on the Stress Test over the coming months.

**Matthew Maguire**

### **• HI Committee**

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With the Society year 2012/13 coming to an end, the projects which the Committee embarked on in mid-2012 are still in progress, except for the compilation of the Annual Healthcare Provision and Financing Report 2012 which should be published in the next Newsletter. The Committee plans to present the results of some of the other projects in 2013/14.

**Chi Cheng Hock**

Also, the call for papers for the 5th GI conference conducted by the SAS has just gone out. We are hoping this conference will continue the trend of improvement in terms of numbers and quality we have seen each year since it started. However, a conference is only as good as the presentations it receives, so please think hard about doing a presentation this year and I look forward to receiving your ideas for a presentation at the conference. If you are unable to do a presentation this year, we will also have some working parties for people to participate in, so let me know if you are interested. Otherwise we look forward to seeing you at the conference in early June.

I wish to thank the Committee members - Roy Boo, Joanna Chu, How Chee Koon, Koh Zhee Chong, Leong Siao Wearn, Ong Jinjing, Joyce Poh, Gideon Tan, Samuel Tan, and Hugh Terry - for their enthusiastic participation over the past year, and for their support. I look forward to working with Committee members in the new Society year to bring the projects to fruition.



## **New Members**

### **Fellow Membership:**

Carl BERGH, *Cigna Global Health Benefits*

Paul FRYDAS, *Aspen Insurance*

Simon Michael LAMBERT, *Partner Reinsurance*

ANG Guan Beng Brian, *Allianz SE*

Bruce LUNDEEN, *Scor Singapore Branch*

YUEN Chu Ming, *Scor Global Life Asia Pac*

CHOW Wing Lam Stephanie, *Liberty International*

### **Underwriters**

Daniel Trevor STONE, *Ernst & Young*

Nikhil GUPTA, *RGA Group*

James GOODCHILD, *AIG Asia Pacific*

Jean DeSANTIS, *AIG Asia Pacific*

Nalen NAIDOO, *Aviva Asia*

Mehul DAVE, *Deloitte Consulting*

Anthony ATKINS, *Ernst & Young*

David Pritchard HUGHES, *Munich Management Pte Ltd*

Alan Edward MERTEN, *Towers Watson*

SHONG Jay Sheng, *Towers Watson*

NGUYEN Phuong Thanh, *Aviva Asia Pte Ltd*

David John O'BRIEN, *Scor Global Life*

### **Associate Membership:**

Eric CHEN Daoguan, *Asia Capital Reinsurance*

Beliavski VITALI, *Ernst & Young*

WONG Tsam Yan Ken, *Prudential Assurance Co*

### **Associate Membership (cont):**

GAN Ching Siang, *Great Eastern Life*

Jess KANG, *Great Eastern Life*

Sandeep Kumar JAIN, *National General Insurance Co*

YU Ming Jie, *Scor Asia Pacific*

### **Ordinary Membership:**

WONG Chi Chung Ted, -

KONG Sheng Jie, *Munich Re Singapore*

SOO Shio Cheng, *Munich Re Singapore*

ZHENG Yanxiong, *Munich Re Singapore*

TOH Ting Jun, *Ernst & Young*

ONG Kein Kok, *Scor Global*

Alicia YONG Fui Tyng, *Scor Global*

Albertus Teddy SETIA, *Aviva Ltd*

Young ANN, *Aviva Ltd*

SONG Qi, *Aviva Ltd*

LUO Xukai, *UHY Lee Tax Services Pte Ltd*

CHAN Whye Loon, *Asia Capital Reinsurance*

GOH Wei Kiat, *Asia Capital Reinsurance*

CHONG Shu Wen, *AXA Insurance Singapore*

Romain BOURGEOIS, *AXA Insurance Singapore*

TAN Pei Siong Rain, *AXA Insurance Singapore*

TAN Ziyu, *AXA Insurance Singapore*

WEE Hsien Paul, *Scor Reinsurance Asia Pac*

MOEY Khai Boon, *Munich Re Singapore*

Leo LIU Jun, *AIG Asia Pacific*

Bill ZHANG Sen, *AIG Asia Pacific*

Fergal CORRIGAN, *AIG Asia Pacific*

LI Wenyi, *AIG Asia Pacific*

Jean LIAO Wei Jin, *AIG Asia Pacific*

ONG Shze Yeong, *AIG Asia Pacific*

TEOH Yan Leng, *AIG Asia Pacific*

LIM Chin Yang Daniel, *Pacific Life Re*

Michelle LOW Kai Ling, *Great Eastern Life*

KUAN King Ling, *Manulife*

Angie LIM Khai Im, *Manulife (Singapore)*

TAN Khai Hua, *Manulife Financial*

Darren TOH Choon Boon, -

CHOY Kok Leong, *Aon*

### **Student Membership:**

Bunyamin KIZILDEMIC, *Nanyang Technological University*

HE Xin Yong, *National University of Singapore*

SU Meo Hui, *Singapore Institute of Management*



## News & Articles

### • General News

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#### *SFC in talks on increased oversight of insurance, dark pool products*

South China Morning Post, 25 Feb 2013

The Securities and Futures Commission is in talks with government and regulatory officials over increased oversight of investment-linked insurance products to safeguard the interest of investors.

The regulation was needed in light of the growing popularity of such products in recent years, according to SFC chairman Carlson Tong Ka-shing.

Tong said the SFC will also review the operation of dark pools, an electronic trading platform that may pose a threat to traditional exchanges, to determine whether it needs to impose more regulation to enhance transparency and investor protection.

"We do not yet have any position on the way forward for regulation over investment-linked insurance policies or dark pool operators. We will first conduct an overall review in these two areas and will consult the market if we decide to have any regulatory change," Tong said.

Investment-linked insurance products put a significant portion of their premium returns into investments in a portfolio of equities or investment funds, leaving policyholders to shoulder any gains or losses according to the investment return. This is different from traditional life insurance policies sold by insurers who invest the premium in more conservative products and pay dividends to policyholders.

According to the Office of the Commissioner of Insurance, annualised premiums of investment-linked products sold in the first nine months of last year amounted to HK\$7.17 billion, down 19 per cent from the same period in 2011. Sales picked up from the fourth quarter as global stock markets bounced back after governments in September eased monetary policies to keep their economies humming.

Some insurers said up to 40 per cent of policies sold in recent years are investment-linked products.

Tong said the policies are tied to the stock market's performance. They recorded strong sales when the market peaked in 2007 but dropped after the financial crisis broke out in 2008.

"This showed many policyholders bought these products in the hope of getting a return similar to that of investing in the stock market but these products are not subject to the same degree of regulation as investment funds," he said.

Unlike the many retail fund products which are regulated by the SFC - from the approval of the products, their point of sale and ultimately the operation and financial viability of the licensed operator - investment-linked insurance policies only need SFC approval for the documentation of the marketing materials.

Also, unlike mutual funds, the underlying portfolio of investments are not separately held by independent trustees or segregated from the other assets of the insurance companies. As such, if the insurers issuing the products collapse, the policyholders suffer.

Tong said the SFC will work with the government, which has proposed an independent Insurance Authority be set up in 2015, to study how to better regulate these products.

"We want to see that the issuance of the products are properly regulated and to be satisfied that the salesperson explains all the risks involved. The SFC will also study how it and the proposed Insurance Authority can work together" on regulation, he said.



The SFC's other review this year concerns the regulation of so-called dark pools. Dark pools have emerged as a popular platform in recent years in advanced markets such as the United States and Britain. They allow traders to buy or sell large blocks of shares without having to disclose their identities, the volume or prices, as opposed to requirements at traditional exchanges.

These platforms are operated by brokers or independent companies and are popular with pension funds and asset managers as the anonymity allows them to keep their strategies hidden from the public eye, cut transaction costs and avoid setting off unwanted price movements.

Competition between dark pools and traditional exchanges has heated up in the US and Europe, where regulations allow dark pools to run independently of exchanges. In the US, for example, dark pools represent about 50 per cent of all trades.

"The US and many overseas markets are now reviewing their dark pool regulations as their popularity in the West means up to half of all trading is off the main exchange and therefore less transparent than trading in the traditional exchanges," he said.

Dark pools have only a small presence in Hong Kong and many other markets in Asia. The 14 dark pool operators in Hong Kong represent only 3 per cent of total market turnover.

Hong Kong still has stamp duty on each transaction while the law also requires dark pool operators to report trades to HKEx after the transaction.

"We would not like to see Hong Kong falling behind the other markets while developing these new trading pools but at the same time, we want to protect the transparency of our market. The review will try to find a way to achieve a balance between market development and the future regulation of the dark pools," Tong said.

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### **Asian nations fare poorly on insurance against disasters**

**The Hindu Business Line, 25 Feb 2013**

Losses due to natural disasters have risen faster than Asia-Pacific's economy has expanded, says a new report by the Asian Development Bank (ADB).

The report, *Investing in Resilience — Ensuring a Disaster-Resistant Future*, urged the region's Governments to offer disaster risk financing instruments, such as calamity funds, tax credits and catastrophe bonds.

"Asia's economic gain is being eroded by disasters," said Bindu Lohani, ADB's Vice-President for Knowledge Management and Sustainable Development, who was here to take part in the Delhi Sustainable Development Summit, organised by The Energy Resources Institute (TERI).

The Asian region was particularly vulnerable due to environmental degradation, climate change, demographic pressures, etc., he said.

The report said significant investments to strengthen disaster resilience could reverse the losses faced by Asian countries. Between 1970 and 2010, the Asia-Pacific region recorded 1.7 million natural hazard-related deaths — 51 per cent of the global total.

The report noted that less than five per cent of disaster losses in Asia were insured, compared with 40 per cent in developed countries.

To tide over the challenges, the ADB suggested that Governments develop and implement disaster risk financing strategies to provide timely support to the disaster-hit.

It said the private insurance sector could help by offering expertise to Asian governments in risk modelling, while the international community could provide start-up capital reserves, guarantees, technical advice, etc.



## M&A deals in Asia up 24% in 2012

Channel News Asia, 28 Jan 2013

2012 was a busy year for deal-making in Asia's insurance sector.

Mergers and acquisitions in that space rose by 24 per cent to almost S\$22 billion.

Beyond having the best growth rates in the world, regulatory changes in the Asian region are also driving important industry shifts.

Asia's demographics present attractive opportunities for insurers.

However, it is still a highly fragmented industry.

In Indonesia for example, there are over 50 insurers, making it hard for players to achieve scale and cost efficiency.

Graham Handy from Ernst & Young said: "Many of these competitors are small. Many of these competitors do not necessarily have deep enough pockets to fund the kind of growth that the supply side actually presents. So we think the growth potential will be seized by the largest players, those with the most expertise, the deepest pockets and perhaps the longest time horizons."

Less restrictive foreign ownership rules in countries like Vietnam, Thailand and Malaysia are driving mergers and acquisitions activity in the sector.

Tighter capital requirements have also forced multinational insurance firms in the West to hive off their Asian units.

Industry players expect consolidation to continue.

Chris Wei, group CEO of Great Eastern Holdings, said: "Our core markets of course are Singapore and Malaysia. We still see ample opportunity. In terms of the competitive environment, it's definitely getting more severe, and this is natural as a lot of companies try to tap into the potential that is evident in those markets. I think there will be a continued period of consolidation. We are seeing quite a few mergers and acquisitions in Malaysia and Indonesia in particular."

Great Eastern, the biggest life insurer in both Singapore and Malaysia, said regulatory changes such as the recent Financial Advisory Industry Review in Singapore will promote 'orderly markets' and customer interests.

Experts said it could also hurt the insurers.

Roy Clark from PricewaterhouseCoopers explained: "The regulatory changes for instance the one we've seen in Singapore, and the consolidation creating scale and more efficient use of capital, and the bringing (of) global best practices more and more into a market like Southeast Asia, that's all going to be good for consumers. This should press down on price, create more competition through transparency and efficiency and therefore be good for consumers."

Experts said that with increasing regulation, some products like motor insurance will become more commoditised.

While this could mean lower premiums for consumers, this will also lower margins for insurers.



## **Interview of the Month: Walter de Oude**

**How would your friends describe you?**

Well, you'd have to ask my friends that question!

**Why did you become an actuary?**

When I was at school, my mom suggested I take an aptitude test to see where my strengths were. According to the test, I was best suited to be either an architect, an accountant, or an actuary. I didn't know what an actuary was at the time, but when I found out, it made perfect sense...



**What is your current role?**

Chief Executive Officer, HSBC Insurance (Singapore) Pte Ltd

**What do you enjoy most about your job/role?**

The diversity offered by working in a leading insurance company in Singapore, having access to multiple distribution channels, while at the same time working leveraging the complementary strengths, capabilities and efficiencies that the HSBC Group provides. I also love the people I work with. It makes such a difference when the people around you are just awesome, very talented, clearly aligned and motivated by same things.

**What do you dislike most about your job/role?**

Bureaucracy. Present in one form or another in every large organization, it's a bit like a weed, and it strangles. Once it pops up, it can spread, but with effective leadership and constant vigilance, it can be kept under control.

**What motivates you?**

Change. Doing the same thing every day bores me. Constantly reinventing the business and beating new challenges is very fulfilling.

**What do you do to relax out of office?**

Golf. Even better than that is golf with my wife. They are 2 of my favorite things.

**What is the greatest risk you have ever taken?**

I moved to Singapore in 2000, without ever having been there before. This risk was well worth taking!



**If you were not an actuary now, what would you most likely be doing?**

Drinking cocktails on a beach somewhere.

**If the world ends tomorrow, what would be doing today?**

Probably drinking cocktails on a beach somewhere.

**Any advice for aspiring actuaries?**

Learn something new every day. Don't study so hard. Try new things. Be passionate about everything.

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## **Brainteasers**

### **#1**

In a faraway land, it was known that if you drank poison, the only way to save yourself is to drink a stronger poison, which neutralizes the weaker poison. The king that ruled the land wanted to make sure that he possessed the strongest poison in the kingdom, in order to ensure his survival, in any situation. So the king called the kingdom's pharmacist and the kingdom's treasurer, he gave each a week to make the strongest poison. Then, each would drink the other one's poison, then his own, and the one that will survive, will be the one that had the stronger poison.

The pharmacist went straight to work, but the treasurer knew he had no chance, for the pharmacist was much more experienced in this field, so instead, he made up a plan to survive and make sure the pharmacist dies. On the last day the pharmacist suddenly realized that the treasurer would know he had no chance, so he must have a plan. After a little thought, the pharmacist realized what the treasurer's plan must be, and he concocted a counter plan, to make sure he survives and the treasurer dies. When the time came, the king summoned both of them. They drank the poisons as planned, and the treasurer died, the pharmacist survived, and the king didn't get what he wanted. What exactly happened there?

### **#2**

I was playing a game of five card draw poker with a bunch of logicians. By the time we had finished bidding and were just about to reveal our cards, I was pretty confident I would win of the four of us remaining. I had three nines, some face card (I can't remember what suit or even whether it was a jack, queen, or king) and a four. (Or was it a five? I can't remember.)

I was even more sure when two of my opponents laid down their cards. One had a pair of fours and a pair of sevens, the other had a pair of twos and a pair of eights. My third opponent, however, laid down his five cards face down in a row. He said, "I have a straight, and the cards are, from lowest to highest: a ten, a jack, a queen, a king, and an ace. I have at least one card of each of the four suits: clubs, spades, hearts, and diamonds. I am fairly certain that this is the winning hand, but I'm feeling generous today, and I will give a third of the pot to whoever can determine which suit I have two cards of.

Now I know you can't figure it out without some clues. Here they are:

1. The king is next to at least one diamond.
2. The queen is next to exactly one heart.
3. The jack is next to at least one spade, but is not next to any hearts.
4. The ten is next to at least one club.
5. The ace does not border any black cards, nor does it border any diamonds.



6. My two cards of the same suit are not next to each other.
7. Of the ten possible pairings of cards, only one pair, when removed, leaves three cards in ascending order from left to right.
8. My ace is not the card on the far left."

There was a minute's silence. One of the other logicians said, "I give up! There's no way to figure that out!" The other agreed. But I didn't. I had just figured out which suit he had two of.

Which suit is it?

**Note:** *If you have a fun brainteaser that you would like to share, please feel free to email Zi at [ZiXiang.Low@milliman.com](mailto:ZiXiang.Low@milliman.com)*

**Answers for last month's brainteasers:**

**#1**  
2: At each bridge you are required to give half of your cakes, and you receive one back. Which leaves you with 2 cakes after every bridge.

**#2**  
The mathematician made a small fence around himself and declared himself to be on the outside.