

the Malaysian Actuary

Message from the President

CONTENTS

Members In The News

2 *Therese Tan Spring Surprise*

News from Abroad

2 *Singapore Actuarial Society Updates*

Features

3 *ASM Treasure Hunt One Utama*

5 *ASM Annual Dinner*

Interview

7 *Interview with BNM's Actuary*

ASM Updates

9 *Actuarial Research Paper 2005 Competition*



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The ASM Newsletter is published three times a year, and is available on the internet at the ASM website. The editorial team warmly welcomes any feedback from members on how to improve our newsletter.

Opinions on articles published, ideas and thoughts are also most welcome. Contact us at the following e-mail address:
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First and foremost, I would like to congratulate members who qualified as a Fellow after having passed all the required examinations in the April/May examination period. My heartfelt congratulations are truly with you.

Congratulations and well done.

In the professional area, it must be a great relief to many members after having submitted the *Risk-based Capital (RBC)* Framework report. However, it is not the end and indeed it may be just the beginning of other new developments. I believe all of us found it a valuable experience which will help us tremendously when the finalized RBC Framework is released. Another new statutory report is the *Dynamic Solvency Testing (DST)* report required from life companies. The DST will definitely provide actuaries with another useful actuarial model to gain insight into the needs of capital and solvency, and the financial health of the company.

The financial market, both globally and locally, is moving towards consumerism. We have already seen many new changes and developments in traditional and investment-linked products in the past few months in our own market. This trend will definitely continue and gather more strength, and we as actuaries must surely be well prepared in meeting this challenge.

As actuaries, by virtue of our unique knowledge of an insurance company, we are well positioned to be proactive and take a lead role in this area. After all, products are designed and priced by us, and hence it is our responsibility to ensure our products are transparent, deliver value to consumers and treat consumers fairly, in addition to balancing the needs of other stakeholders. But the key in all this, I believe, is in the area of communication to all the stakeholders. We must be able to translate the technical jargons into plain language that are understood by the masses.

Another new development in the Malaysian capital market is the liberalization of the currency control which was implemented in 1998. Many insurance companies have either stated their intention to

invest offshore or already invested abroad by now. This will add a new dimension of risk to the insurance companies and hence will require actuaries to be more involved in the financial management of the company.

In July, ASM organized a luncheon talk on General Insurance entitled "*Establishing Confidence Intervals Around IBNR Reserves: An Overview*". The speaker was a Malaysian actuary, **Mr Chye Pang Hsiang** with Milliman Consultants and Actuaries office based in Hong Kong. He shared with the participants his consulting experience in this area, and indeed it was a very valuable session. I trust that all participants have benefited from it. For the record, Mr Chye was actually on holiday in Malaysia but he had volunteered himself and taken time off to speak on this topic. This is the kind of spirit that ASM will like to emulate, by giving back to the society. For the reader's information, Mr Chye was a member of ASM before he left overseas.

In August, the Events sub-committee organized a Treasure Hunt activity for all members. It was a different kind of Treasure Hunt that I attended: Finding treasures in a shopping mall! Over forty members gathered in the One Utama shopping mall, hunted and found treasure, excitement and teamwork together. It was a time of fun and a good way to relax from all the stress in the office and from studying. Congratulations to the three winning groups. Thanks to the event organizing committees too for their tireless efforts in making this a success.

The examination season commences again from September, and I take this opportunity to wish members sitting exams all my best.

The *13th East Asia Actuarial Conference (EAAC)* was held in Bali from September 12 - 15. For those who participated in the conference, I hope you had a pleasant experience and a good time interacting with other actuaries from around Asia and the globe. ASM looks forward to reading about your experience there in the next issue of *The Malaysian Actuary*.

Lee Jian Jium



Announcement

The ASM Newsletter's Editorial Team sees co-editor Bharat Raj parting ways as he heads off to City University for his Master's Degree. We wish him all the best and thank him for his commitment to the newsletter over the past year.

With his going away, we currently have an opening for any interested ASM member to join as a co-editor. The role will involve writing articles (and networking for them), but will primarily be in graphics and layout, where the interested member should be reasonably comfortable in using **PageMaker** to edit articles and compile them into a newsletter format. Please do contact us at Editor@actuaries.org.my if you are that person we are looking for!

News

Members In The News

Therese Tan Spring Surprise

Therese Tan and her dancing partner, Jonathan Fam came out tops at the Malaysian DanceSport National Championships held at the Bukit Jalil Golf and Country Club recently. The Championships formed part of a series of DanceSport Competitions held over a period of six months to determine the National Squad for the upcoming SEA Games in December 2005. DanceSport is one of the new events which will make its debut in the SEA Games this year.

The pair will represent Malaysia in the **Latin American Grade A category** for the SEA Games and the Asian Indoor Games in Bangkok in November 2005.

The ASM Editorial Team wishes Therese all the best for the Asian Indoor Games and SEA Games!

What is DanceSport?

It is a competitive form of ballroom dancing, which has been recognised and is being officially approved by the *International Olympics Committee (IOC)*, the *Olympic Council of Asia* and the *Olympic Council of Malaysia* as a sport. The category is likely to be introduced at the 2012 Olympics in London.

DanceSport consists of two disciplines: "**Standard**" (also known as "**Modern**"), which recognises the Waltz, Tango, Foxtrot, Quickstep and Viennese Waltz styles, and "**Latin**", which judges dancers on what they've got in the Cha-cha, Samba, Rumba, Paso Doble and Jive styles.

Therese Tan is a benefits consultant with Watson Wyatt (M) Sdn Bhd whose passion for dancing go hand in hand with her penchant for Mathematics.



News From Abroad

Singapore Actuarial Society Updates



Fri 4 Mar 2005 Annual General Meeting

After a very lively half-day Actuarial Forum, the SAS conducted its annual general meeting on 4 Mar 2005. **Andrew Linfoot**, **Chew Boon Sym** and **Tim Beardsall** were returned to office as President, Vice-president and Honorary Treasurer, respectively. **Mark Birch** was elected Honorary Secretary.

Mon 4 Jul 2005 Joint Regional Seminar Asset Liability Management Singapore

The SAS hosted the South-East Asia leg of the Joint Regional Seminar. An overwhelming attendance of almost 150 actuaries, actuarial students, insurance practitioners and other interested persons from Singapore, Malaysia and from around the region attended this event.

Appointed Actuary Induction Programme

From 2005, any person wishing to assume responsibility of an appointed actuary for a life insurance fund in Singapore is required to attend an induction programme conducted by the SAS. The course consists of a course of reading and a discussion with an experienced Fellow of the SAS.

Risk-Based Capital Requirements for Life and General insurance companies

From 2005, insurance companies must meet solvency standards using the risk based capital methodology. This development resulted in a high level of activity in actuarial departments and consultancies in Singapore, as insurance companies adjusted to this new regulatory regime.

Features

ASM Treasure Hunt, One Utama

Saturday, 30 July 2005



Written by Bharat Raj

When the newsletter team got wind of the treasure hunt, it was clear that one of us would have to turn up there, just so we could jot down a few words about it here in the magazine. But it was **Gary**, our rather gifted editor, who saw the opportunity and said to us "this is gonna make a sensational article, it could triple our readership! The treasure hunt will be ASM's most eventful event this year. Even if we have to make it so ourselves" and at this last point he spoke rather distractedly and wore what looked like a very cheeky grin. And thus it was agreed that we were to attend the treasure hunt disguised as participants.



At the Secret Recipe

The event officially began at nine thirty (on what was otherwise a delightful Saturday morning for sleeping in) at the **Secret Recipe** in the basement of the new wing at One Utama. However, most of the participants had turned up by nine due to some minor confusion in the event's starting time. This was no problem since everyone appreciated the extra time we had to size up the competition and move around the room to learn who's in whose team. Our team was cunning in that we made a bee line for the organisers but we were disappointed to learn that they were already swamped by two other teams, who were also suspiciously their colleagues.

At nine thirty, **Ravinder** read out the rules and regulations for the event and the treasure hunt questions were also handed out. At this point most participants seated themselves at tables with their team members. The atmosphere was really tense, some participants huddled together and spoke in code and foreign tongues, they scribbled their little notes into their little notepads while others ducked and dived from table to table spying what they can and yet others smiled suspiciously and were being otherwise overly nice in an attempt to get some answers. As befuddling as it may have seemed to us, there was even a team who poured over what looked like the engineering blueprints of the building. Naturally, we loved this; it seemed very promising that we should get a good story out of the event, no intervention needed.



Code and Foreign Tongues



Engineering Blueprints

By nine forty five most teams had gone their separate ways to scour the building. The treasure hunt's trail led us across One Utama's new wing beginning in the basement. We noted most people searching for the clues earnestly and to the best of their abilities but we know of at least one team, i.e. ours, that did also seek to copy from the others. As we left the basement it became apparent that the questions were difficult, that it might be a struggle to even get one of them right. Copying was just as difficult since the other participants were somehow already wise to our strategy. Refusing to be disheartened, we began to call everyone in our

phonebooks to get some answers and what we learnt was that among the four of us we know some really clever people. You see, by this point we had completely forgotten that we had come to get a story; instead we now wanted only to win.



Searching For The Clues

Features

ASM Treasure Hunt One Utama.... continued



Pickled Onions

About an hour and the half later, we were led into the **Giant** grocery store. Thinking that we were really clever for figuring out the very difficult questions that led us there in the first place, we were startled to see other teams there also. At first we pretended to have given up the hunt; and that we were just grocery shopping, but this again was a strategy that our much cleverer than expected opponents were already wise to. Needless to say, most teams took note of the items bought by the other teams. Some teams, i.e. ours, even bought items simply because they saw other teams buying them; why else would anyone buy a jar of century old pickled onions?

With our shopping spree concluded, we returned to the Secret Recipe, submitted our answers and the items we had picked up and awaited the results. While the organisers, **Kay How** and **Diana**, tallied up the score, the participants were served lunch. We sat smug and sure that we had won because it was rather obvious to us that passing actuarial exams had given us superhuman abilities in tackling tough questions, not once worrying that all the other teams looked somewhat nervous. When the answers were finally revealed by the organisers, we learnt that the questions were rather unfair since we hardly got any right. We clapped sullenly as they announced the top three teams, sore and with our egos now slightly bruised. In third place was 'Interested But Not Really' (IBNR) from **BNM**, second place 'The Muggles' from **GE** and first place 'The A Team' from **Prudential** which is also, suspiciously, where some of the organisers are from.



Newsletter Team Sitting Smug



President with the winning team



Second Place



Third Place

Disclaimer:

Certain elements of this article might be construed by some to be fictitious, slanderous and/or accusatory. We say in our defence that there are also those that would not know good journalism from a colouring book.

Features

ASM Annual Dinner

22 September 2005, 4pm till late ☺

The Legend Hotel, Level 9 Ballroom

Written by Gary Hoo

Arriving in our best actuarial attire (3 pens at shirt pocket - black only, please), the 2005 ASM Annual Dinner was well attended, judging by the sudden drop of productivity in various insurance companies on that particular Thursday afternoon. The event kicked-off with an opening speech from our ASM President, JJ Lee.



ASM President JJ Lee "The Legend" making a point



Yoon presenting Bayesian networks modeling while sporting a shining ring



Ng shocked at his own sensitivity results of stochastic asset-liability modeling



Tony presenting non-terrorist-related time bomb issues

Three fantastic pre-dinner presentations whetted many appetites -

- (1) "Modeling risk using Bayesian networks" (by Yoon Yew Khuen),
- (2) "Sensitivity of results in stochastic asset liability modeling" (by Ng Chun Nam), and
- (3) "Investment-linked: Is it a time bomb?" (by Tony Cheong).

Not forgetting, the ASM also had a chance to recognize three newly qualified actuaries - Shafnieda Iqbar, Loke Chang Yueh, and Chin Tze How - and we wish you our heartfelt congratulations and all the best as you look forward to a bright future. But be wary though, as it would be filled with obstacles in areas such as money (too much), time (too much) and of course falling into deep depression after fully realizing you do not get to study for exams any more.

Just before the dinner, we were privileged to get an opportunity to hear from Anusha Thavarajah who gave an introductory overview of the asset share practice notes.

Dinner was generally a joyous yet nostalgic "catching-up-with-old-friends" affair, with members talking about very important actuarial issues (as overheard by the editor) such as "Determining the gender of your unborn baby by statistical methods", "How to meet actuaries through treasure hunts organized outside of ASM", "The correlation between the lucky draw winner and his/her need for electrical household items", and of course "Actuarial methodologies of assembling name-card bamboo pewter thingies".



JJ Lee with the 3 newly qualified actuaries (They had to bring their certs to prove it!)



Anusha simultaneously presenting asset share practice notes and rehearsing for Malaysian Idol 3

Features

ASM Annual Dinner *continued*

The event concluded with a bang with the excellent Quiz that had seven teams:

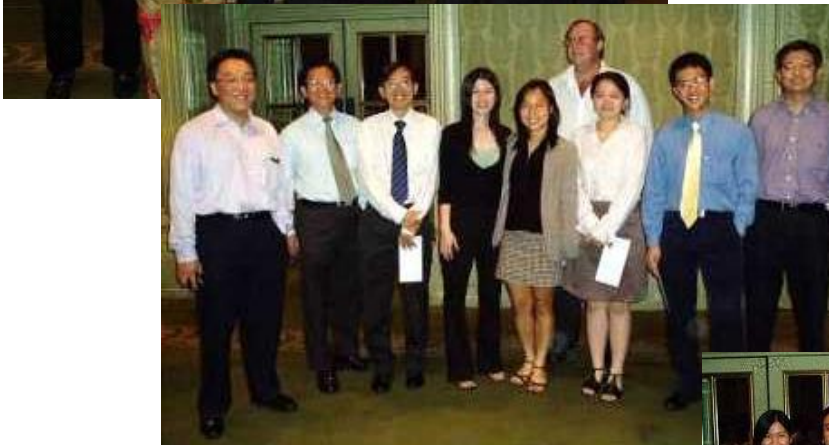
- Misspelling words like ~~DESSICATE~~ ~~DESICATE~~ ~~DESSIGATE~~ ~~DESSICATE~~ and ~~INNOCULATE~~ ~~INNOCULATE~~ ~~INNOKULATE~~ ~~INOCULATE~~
- Silently singing songs such as "How much is that doggy in the window? Woof woof!"
- And most surprisingly of all - demanding members to make un-actuarial assumptions about distributions of the years of invention of day-to-day consumer products (e.g. *When was Velcro/Vacuum cleaners/Viagra invented?*)

The three groups who won were: 1st - "**MERCERNaries**", 2nd - "**A**", and 3rd - "**Диино**", with each winning contestant being very generously awarded a brand new Quota Share Reinsurance Treaty cover from **Ravinder** (*Just kidding*). It was shopping vouchers awarded... so indeed, we can **finally** purchase that latest-technological-multi-functional calculator every one of us has been dying to own.

Three cheers to the organizing committee for a great job with the 2005 ASM Annual Dinner and here's to next year's event with hopefully an even higher turnout from the ASM members!



"**MERCERNaries**" - 1st place in Quiz with Raymond Lai, ASM Vice-President



"**A**" - 2nd place in Quiz, with Robert McLeod wondering if those are really treaties in the envelopes Ravinder handed out



"**Диино**" - 3rd place in Quiz, with Bharat overcome with relief after the recent treasure hunt debacle

Interview

Interview with Bank Negara Malaysia's Actuary Kenneth Wong

Q1: Tell us briefly how you came into the actuarial field.



After A levels in Singapore, I was in the army for two and a half yrs. During that time, I had a lot of time on my hands to do some research and decided to embark in the actuarial field.

Q2: Tell us briefly of your employment history, what areas you have worked in within the actuarial field and your experiences therein?



After graduating with a degree in actuarial science and an MBA in finance from the US, I returned to Singapore in 1986 in the midst of a recession and there were no bank jobs available, which was my preference then. Instead I joined Wyatt (now Watson Wyatt), who had just opened their office in Singapore, as an actuarial assistant. After 2 years, I decided to go back to the US to continue my exams. I joined Coopers & Lybrand (now PWC) in New York as a consultant and worked there for 3 years. I returned again to Singapore after that and worked for John Hancock's regional office as a regional consultant before joining Munich Re as the life manager where I later qualified and became the appointed actuary. After Munich, I joined AIA as a marketing actuary (I know it is an oxymoron but at least I tried!). I moved to Malaysia 3 years ago when my wife who is from KL wanted to come back to her home town. I joined Mayban Life as their appointed actuary before taking up my current position at BNM beginning this year.

Q3: How did you come to be in your current role?



I was approached by Mr. Govind who was the chief actuary of BNM whom I knew from my time at AIA in Singapore. They were looking for someone who had not only local industry experience but had worked also in other jurisdictions and had experience in other fields as well. This was something very different for me and was not an easy decision to reach.

Q4: What are some of the main tasks you are involved with?



When I joined the Bank, I noticed that there were no regular meetings with the appointed actuaries which was different from what MAS did in Singapore. To foster better communication and update actuaries on pending issues, we initiated the first dialogue meeting recently. Right now, we are focusing on getting the RBC concept paper 2 out to the industry as well as the revision of the valuation liability framework for the life industry, not to mention tweaking some parts of the general reserving paper as well. In addition, we are putting the finishing touches on the new IL guidelines which should be out to the industry very soon.

[Editor's Comment – Since the interview, the IL guideline has been released to the industry.]

Interview

Interview with Bank Negara Malaysia's Actuary *continued*

Q5. What have you noticed as a regulator concerning the skill set of local industry actuaries?



One of the things we intend to do would be to encourage local actuaries to continue to upgrade their skills as the environment and financial landscape is changing very fast. I think we need more skills in certain non traditional areas of financial economics, risk management for example. Actuaries will also need to be conversant with what is happening on the international accounting side in terms of fair value reporting and other major trends in the solvency area. I think ASM can play an important role in all this in terms of continuing education.

Q6. What do you think of more actuaries and students joining the regulator?



It depends on your perspective. Getting industry experience is fine and should be encouraged. At the same time, there are a lot of new areas that younger actuaries and students can contribute towards if they work at the Bank. If they have some industry experience, that would be helpful as well.

ASM Updates

Actuarial Research Paper 2005 Competition

Following the **success** of its 2004 Actuarial Research Paper competition, the Actuarial Society of Malaysia (ASM) is planning to hold a second competition this year.

Our aim this year is to build on last year's momentum and stimulate members into conducting research on aspects of Risk Management. The purpose of this actuarial research paper competition is to provide opportunities for actuarial students to promote the study and research of issues relating to the application of economic, financial and status of principles to practical problems.

Risk Management is a complex area and one where there are numerous aspects that need much more research before insurance companies can feel confident that their needs are being properly met by the actuaries working for them.

It's time for actuaries to step up and be financial risk managers in risk management. It is necessary for every actuary to think consciously of themselves as "risk management professionals" rather than playing a traditional role of premium calculation and reserve calculation.

Not many actuaries are familiar with the tools and techniques used to manage risk in this field.

I urge every ASM members to submit papers and participate in this year Actuarial Research Paper Competition.

The details of this competition are as follows:

The Actuarial Society of Malaysia is proud to announce its second annual research award in the field of actuarial science.

All members of the ASM are eligible to submit papers and there are 2 prizes available as follows:

<i>Best Paper</i>	<i>Prize</i> RM 3,000
<i>Best Paper by an Associate or Student member</i>	<i>Prize</i> RM 2,000

Important Notes

- A student or associate member is someone who was not fully qualified as a fellow on 1 January 2005.
- Only one prize will be paid to any person. If a student or associate member wins the Best Paper they will not also be awarded the other prize.
- All finalists are required to be available to present the papers to ASM.
- Thesis / Papers published in any of the known journals are not entitled for the award.

The papers should be between 10 to 15 pages in length, double spaced and typed/translated into English. Only Word documents or Pdf file formats will be accepted.

This year's theme is **Risk Management**. Papers should address one of the following 3 topics:

- Risk Management for an Insurance Company
- Asset Liability Management
- Par Products - PRE A Time Bomb?

Papers will be assessed on their Originality, Contribution to Actuarial Science and Practical Usefulness for the Malaysian Insurance Industry. All decisions of the ASM Judges are final. The ASM Judges may choose not to award a Prize if they feel no paper is of a sufficiently high standard. The competition commences with the issue of this notice and all entries must be received **by December 2005**. The Judges' decisions will be made during February 2006.

Please submit your papers by e-mail to: secretary@asm.org.my