



THE MALAYSIAN ACTUARY

A Newsletter by the Actuarial Society of Malaysia

March 2016

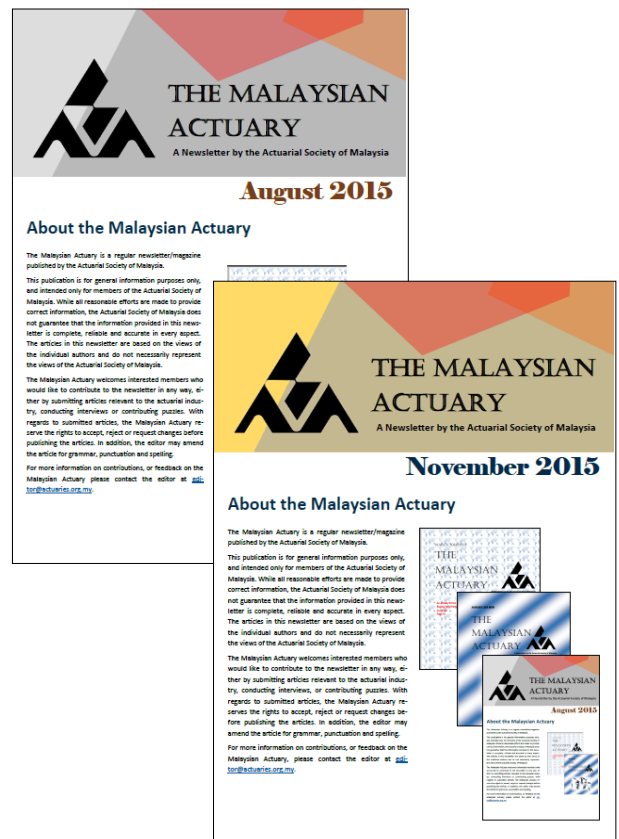
About the Malaysian Actuary

The Malaysian Actuary is a regular newsletter/magazine published by the Actuarial Society of Malaysia.

This publication is for general information purposes only, and intended only for members of the Actuarial Society of Malaysia. While all reasonable efforts are made to provide correct information, the Actuarial Society of Malaysia does not guarantee that the information provided in this newsletter is complete, reliable and accurate in every aspect. The articles in this newsletter are based on the views of the individual authors and do not necessarily represent the views of the Actuarial Society of Malaysia.

The Malaysian Actuary welcomes interested members who would like to contribute to the newsletter in any way, either by submitting articles relevant to the actuarial industry, conducting interviews or contributing puzzles. With regards to submitted articles, the Malaysian Actuary reserves the rights to accept, reject or request changes before publishing the articles. In addition, the editor may amend the article for grammar, punctuation and spelling.

For more information on contributions, or feedback on the Malaysian Actuary please contact the editor at editor@actuaries.org.my.





Editor's Note

Greetings to all members,

Welcome all members to the first newsletter in 2016. I hope you have enjoyed the newsletters which were sent last year. In case you missed it, you may refer to our website under the Malaysian Actuary tab in the Publications section or click on this [link](#).

I believe it is not too late to wish my Chinese colleagues and friends Happy Chinese New Year! Wishing you all prosperity on the Year of the Monkey.

For this newsletter, we have received an article contribution from Farzana Ismail of Milliman KL on the LIFE Framework. I would like to express my gratitude to her for the contribution and I am sure ASM members would definitely benefit from the article. Please refer to page 7 for the article.

The Malaysian Actuary looks forward to contributions from ASM members to make the newsletter more informative and beneficial. Incentives in the form of cash vouchers will be provided to members whose articles feature in the Malaysian Actuary.

Effective immediately, to further encourage members to contribute to the newsletter, we have increased the incentives for article contributions from RM100 to RM300. Additionally, contributions for ASM event coverage articles has been increased from RM20 to RM50. For more details on contributing articles please refer to the 'ASM Newsletter Contributions—terms and conditions' at the end of this newsletter.



We are also looking for selected candidates to be interviewed on their life and career as an actuary in the next 'Up Close and Personal' section. If you would like to nominate candidates for the next 'Up Close and Personal' section, you may send your nomination to the editor.

I hope you will enjoy this newsletter. For any comments or feedbacks please submit them to editor@actuaries.org.my. Thank you.

Kind regards,

Nur Amin Nurazmi



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President's Note

Dear members,

First of all, I would like to wish our members Happy Chinese New Year and May You Be Blessed with Abundance of Wealth, Health and Happiness in the year of the Monkey.

This is our first publication for the year and we are starting off with a new line-up to our ASM council. I would like to welcome Gary Hoo, our new President-Elect as well as Ivan Leong, our new Professional Development Committee Council member to the council. Also, I would like to congratulate Yeoh Eng Hun for his new role as Vice-President. I look forward to working with this new line-up of council to further spur the ASM into greater heights.

In the same note, I would also like to take the opportunity to thank Yap Chee Keong, the Immediate Past President, and Kelvin Hii, the previous Vice-President for their work as council members and more importantly the service to our ASM members. Both gentlemen have been instrumental in putting in place very important initiatives that are milestones for ASM such as, the setting up of permanent secretariat with University Tunku Abdul Rahman and partnership for general insurance seminars with Casualty Actuarial Society and Institute of Actuaries Australia, just to name a few. On behalf of ASM, I would like to wish you both all the best in your endeavors and big THANKS!

What to look forward for in year 2016?



Our membership size have grown to nearly 800 over to 2015 from about 700 members. With such a significant increase in membership numbers, we need to relook at different ways to cater for our members. With increase membership size, there will also be more diverse needs. Hence, the council will increase the numbers and type of CPD and social events to cater for this. Also, we will need to look at how members can self-serve better from our website, in order to ease members in obtaining the necessary information that they can as well as to ensure that the secretariat can continue to focus on tasks or priorities that need more human intervention.

Also, with increase number of members, the council hope that this will mean also more volunteers to help out with various activities that we are carrying out, engagement with universities as well as public and also working on professional development needs of members.

We look forward to another successful year in 2016 for ASM as well as yourselves.

Best regards,

Wan



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Past and Upcoming Events

Past Events

18 December 2015	ASM Year End Party 2015
29 February 2016	ASM Talk and AGM 2016

Upcoming Events*

March 2016	ASM Movie Night 1
April 2016	ASM General Insurance and Takaful Actuarial Seminar 2016
May 2016	ASM Badminton Tournament 2016
June 2016	ASM Professional Skills Course 2016
July 2016	ASM Movie Night 2
September 2016	ASM Life Insurance and Family Takaful Actuarial Seminar 2016
November 2016	ASM Annual Dinner 2016
December 2016	ASM Year End Party 2016

**subject to changes*



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ASM Year End Party 2015

The 2015 ASM Year End Party was held on 18 December 2015 at Movida, Bukit Bintang.

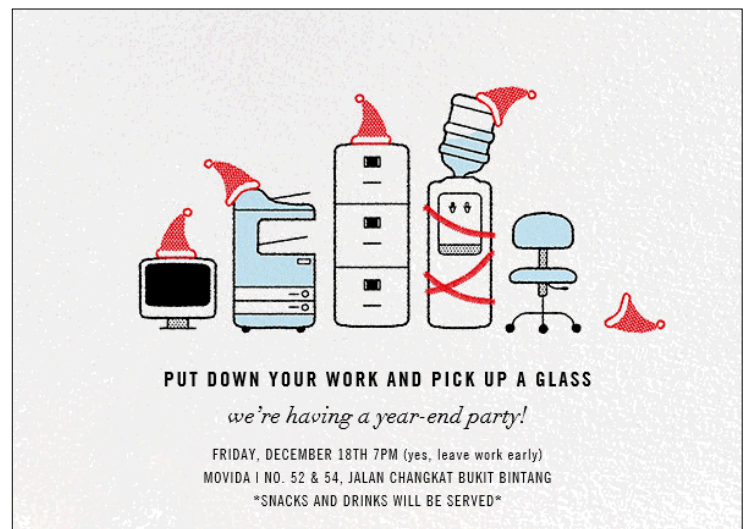
Online registration started on the 8 to 15 December. More than 70 people attended the event which include Executives, Managers and Actuaries.

The event was open to ASM members only and was free of charge. Snacks and drinks were provided to attendees as well.

Registration started at 7 p.m. with members arriving as early as 6.30 p.m. The event was a good chance for members to get to know each other better and for networking.

Members were seen enjoying the event with their colleagues and friends to celebrate the new year and Christmas. Some even made new friends.

The event ended at 11 p.m.





ASM Talk and AGM 2016

The 2016 ASM Talk and Annual General Meeting was held on 29 February 2016 at Park Royal Kuala Lumpur.

There were around 100 participants who attended the event which consists of ASM members and non-members. The event provided 2.5 CPD hours to the attendees.

Registration started at 8.30 a.m. Then at 9 a.m., Hassan Scott Odierno of Actuarial Partners started the seminar with a presentation entitled 'Applying Actuarial Science to the Issue of Homelessness in Kuala Lumpur'.

This was followed by a presentation from Jeremy Lim of Willis Towers Watson entitled 'LIFE, and how to be ready for it?'

Before the next presentation, attendees had their coffee break at 11 a.m. which lasted for about 20 minutes.

Then, Nicholas Yeo of Nicholas Actuarial Solutions presented on 'Lapse Analysis of Life Insurance Policies in Malaysia.'

The 2016 Annual General Meeting started at 12.15 p.m. with the approval of 2015 Annual General Meeting minutes. This was followed by the President's report and the respective committees' reports. The 2015 audited accounts was approved by members during the Treasurer's report section.

The highlight of the meeting was the election of the President-Elect, Vice President and Professional Development Committee. The updated list of council members is available on the ASM website: <http://actuaries.org.my/about/asm-council/>

Welcome and congratulations to the new 2016 ASM Council members:



ASM Council 2016:

Position	Name	Company
President	Wan Saifulrizal Wan Ismail	Prudential Assurance Malaysia Bhd
President-Elect	Gary Hoo	JPWALL Consulting Partners
Vice President	Yeoh Eng Hun	Allianz Life Insurance Malaysia Bhd
Secretary	Wong Li Kuan	Tokio Marine Insurans (Malaysia) Bhd
Treasurer	Gary Lim	Towers Watson (Malaysia) Sdn Bhd
Professional Development	Ivan Leong	Hannover Rück SE Malaysia Branch
Communications	Nur Amin Nurazmi	Takaful Ikhlas Bhd
Education	Kelvin Yeong	AIA Bhd
Events	Agnes Kwan	Great Eastern Life Assurance (M) Bhd



LIFE Framework – Shaping the insurance and takaful landscape in Malaysia

By: Farzana Ismail, Head of Life Insurance and Family Takaful, Milliman KL

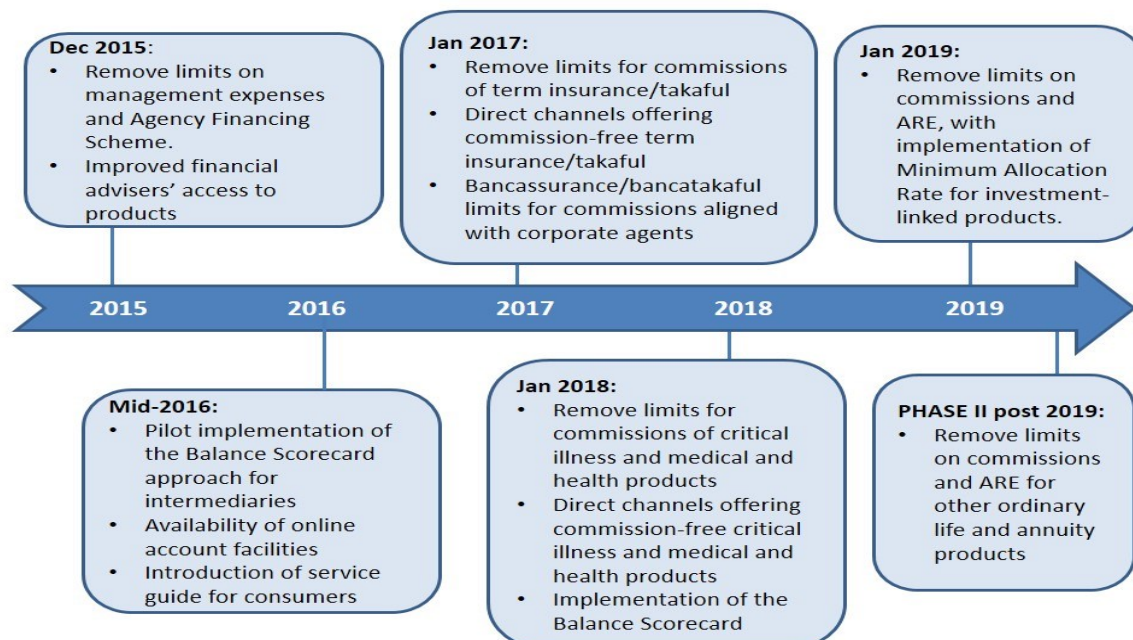


Recently in November 2015, the regulators in Malaysia issued the Life Insurance and Family Takaful Framework (“LIFE Framework”) to support the long-term development of the life insurance and family takaful industry in Malaysia. The LIFE Framework aims to promote innovation and a more competitive market, together with higher levels of professionalism and transparency in providing insurance and takaful products and services to the consumers. A phased approach will be adopted in the implementation of the LIFE Framework as outlined in Figure 1 below to take into consideration the current level of sophistication and readiness of the industry players and the consumers, and to assist the industry in the transition to the new operating environment.

The three pillars outlined in the Framework are:

1. Gradual removal of operational costs limits to promote product innovation while preserving policy/certificate value

Regulatory limits on life insurance and family takaful companies’ operating expenses will be gradually removed. This will begin with the removal of limits on management expenses and Agency Financing Schemes in December 2015. In 2017, the limits on commissions and Agency-Related





Expenses (ARE) for the ordinary life and annuity business will be gradually removed by product types, starting with pure protection products conditional on insurers/takaful operators providing these products commission-free via direct channels.

The limits on commissions and ARE for investment-linked policies will subsequently be removed effective January 2019. Concurrently, there is an introduction of the Minimum Allocation Rate (MAR) which requires a minimum proportion of the premium/contribution to be retained in the unit fund, for the purpose of preserving the policy/certificate value when the limits of commissions and ARE for such products are liberated. This would mean that insurance/takaful companies would need to fund excess front end commissions from other sources.

2. Developing a diversified distribution channels to widen outreach to consumers

All life insurers and family takaful operators will be required to provide commission-free pure protection products (i.e. term, critical illness, medical and health products) via direct channels, either at the head office and branch premises or via their website. Term products are to be similarly offered from January 2017, followed by critical illness and medical and health products by January 2018.

To encourage growth in the bancassurance and bancatakaful channel, limits on commissions for annual premium non-credit related products sold via the bancassurance and bancatakaful channels will be increased to be aligned with the limits applicable to corporate agents effective January 2017.

The financial advisers framework will be also be enhanced, whereby life insurers and family takaful operators will be required to provide access to financial advisers the full range of life insurance and family takaful products offered by them.

An online product aggregator will also be established to

enable consumers to compare products offered by different life insurers and family takaful operators.

3. Stronger market conduct to enhance consumer protection

The customer service provided by all intermediaries will be enhanced via a Balanced Scorecard Approach, such that non-sales Key Performance Indicators (KPIs) will be captured as a remuneration basis for intermediaries, to encourage sales behaviour that results in fair treatment of consumers. If the non-sales KPIs are exceeded, life insurers and family takaful operators have scope to pay commissions above the existing commission limits. The pilot scheme will be implemented from mid-2016 onwards prior to actual implementation in 2018.

Life insurers and family takaful operators will also be required to provide policy owners online access from July 2016, to enable easy access for consumers to obtain information on their policies. A service guide for consumers will also be made available from July 2016 to enable consumers to increase the transparency of services provided by intermediaries.

Product disclosures in sales illustrations will be enhanced from January 2017, which will require all products to be compared with a term plan.

Key implications

With the removal of limits on operating expenses, companies will have greater flexibility in managing their expenses, allowing for more competitive strategies and product innovation. However the introduction of the Minimum Allocation Rate is likely going to have an impact on the sales of investment-linked policies. Currently, after the implementation of Risk-Based Capital (RBC) Framework in Malaysia, many life insurers and family takaful companies have focused on the sales of investment-linked products given that it is a less capital intensive product under RBC. Typically,



the current allocation rates in the early policy years (e.g. first three years) for investment-linked policies in the market are around 40%-50%. With the application of the Minimum Allocation Rate, companies would be required to increase the allocation rate in the unit fund in the first three years to at least 60%. This will reduce the margins available to meet expenses, commissions and profit. For companies that are heavily focused in investment-linked products, the requirement of the Minimum Allocation Rate is likely to require companies to review its business strategy. The implementation of the Minimum Allocation Rate is likely to have a more material impact to takaful operators in Malaysia compared to conventional players, given that takaful typically has a lower case size on average and has higher lapse experience compared to its conventional counterparts. In addition, most takaful companies are typically smaller and have not yet achieved critical mass.

The requirement for greater product transparency, online aggregator and the availability of financial advisers will also result in increased competition amongst the players. Nevertheless, the new requirements will result in products with better value to the consumers as these regulations will further encourage companies towards product innovation.

The focus towards pure protection products, with the requirement for companies to provide a commission-free protection product and the requirement to provide comparisons against term products in all product illustrations, is likely to increase consumer awareness on the availability of pure protection products instead of the more commonly offered savings products. Life insurers and family takaful operators are best placed to provide protection products rather than compete to provide competitive returns on savings products with other financial institutions. The initiative towards pure protection products is in line with the broader objective to reduce the protection gap in Malaysia.

The initiative to diversify the distribution channels in Malaysia is also expected to increase the penetration rate of life insurance and family takaful policies in Malaysia. Cur-

rently, the main distribution channel in Malaysia remains to be the agency channel. Bancassurance and bancatakaful channel remain to be concentrated on single premium credit and financing-related products despite earlier efforts to diversify sales towards annual premium non credit-related products. The availability of direct channels will also enable easy access for consumers to purchase competitively-priced products, and encourage companies to enable web-based sales. In the digital era, it is not unreasonable for consumers to expect for the ability to purchase at least simple products online. These are largely unavailable currently in the life insurance and family takaful industry in Malaysia. The creation of the online aggregator will also empower consumers to compare prices. The development of financial advisers and consumer service guide will ultimately create a higher quality of consumer service for the insurance and takaful industry.

Overall, the implementation of the LIFE Framework is likely to change the life insurance and family takaful landscape in Malaysia, with a greater focus towards providing greater transparency and better value products for consumers. Life insurers and family takaful operators will need to strive to be innovative and strategic to retain and develop its market share, particularly towards pure protection products, whilst developing alternative distribution channels to increase its penetration rate.

Farzana will receive a RM300 voucher for this article contribution.



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ASM Badminton Tournament 2016

Date:

May 2016*

Venue:

TBC

Organised by:

Actuarial Society of Malaysia (ASM)

Get your rackets ready! ASM annual badminton tournament will return this year and will be free for all ASM members. Attractive cash prizes are to be won.

This ASM traditional annual event is not to be missed!

ASM welcomes any company who would like to sponsor this event. For more information, please contact ASM Events Committee at events@actuaries.org.my

ASM Professional Skills Course 2016

Date:

June 2016*

Venue:

TBC

Organised by:

Actuarial Society of Malaysia (ASM)

Complete your professional CPD hours by attending the ASM Professional Skills Course 2016. The course will contain general discussions on professional conduct of actuaries.

This valuable event is not to be missed!



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Membership Application

Interested to be an ASM member and enjoy various benefits?

Please fill in your information in the following link. Our secretary will contact you directly to follow up.

<http://actuaries.org.my/wp-login.php?action=register>



Membership Renewal



Renew your membership by **31 March 2016**.

Your membership will be suspended if you do not renew your membership by 31 March 2016. After which you need to reinstate your membership. Note that reinstatement fees shall be applicable.

<http://actuaries.org.my/members/membership-renewal/>

Profile Update

ASM members are encouraged to keep your profile and membership class updated. This can be done via the links below:

<http://actuaries.org.my/members/profile/>

<http://actuaries.org.my/members/change-membership-class/>





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Job Opportunities

Keep yourself updated for any opportunities at our web-site:

<http://actuaries.org.my/career/job-opportunity-listing/>

For employers seeking potential employees, you may submit your application to:

<http://actuaries.org.my/career/job-posting/>



Archive of Presentations



ASM members can download past presentations organised by ASM via our website:

<http://actuaries.org.my/events/archive-of-presentations/>

Just log-in your ASM ID and search the presentation by Event, Title, Speakers, etc. The presentation slides are usually uploaded within 2 weeks after an event.

Up Close and Personal

We have introduced a new section called '*Up Close and Personal*' in the last main newsletter.

This section interviews selected candidates on their life and career as an actuary.

If you would like to nominate suitable candidates or volunteer to be featured in this section, please send an email to editor@actuaries.org.my



ASM Newsletter Contributions—Terms & Conditions

All entries submitted must be accompanied with your name, NRIC (or passport), company name, phone number, corresponding address, and photo of yourself (optional).



Article Contribution – RM300 Cash Voucher

- Article written must be "Actuarial" related whether in the sense of work, culture, theory, expectations, etc.
- Only the articles that are submitted by individuals and published in ASM Newsletter will be entitled for the cash voucher
- Articles that are selected to be published will be notified by the Editor to the individual
- Article submitted must be original and NOT plagiarised from any individual or institution
- ASM editorial and council holds the right in editing the articles submitted
- ASM editorial and council holds the right in determining when the article is to be published
- ASM editorial and council holds the right in not publishing the articles submitted
- Article submitted should be approximately 2-5 pages in length using font Calibri 11 Single spacing
- Entries are to be submitted to editor@acturaries.org.my
- The promotion will only take effect on articles submitted from Year 2016 onwards
- The expiry of promotion will be notified to all ASM members through email
- ASM editorial and council holds the right to revoke cash vouchers should ASM feel that any article submitted is against the terms & conditions mentioned or plagiarism



Event Coverage – RM50 Cash Voucher

- Article written must be ASM –related events
- Only the articles that are submitted by individuals and published in ASM Newsletter will be entitled for the cash voucher
- Articles that are selected to be published will be notified by the Editor to the individual
- Article submitted must be original and NOT plagiarised from any individual or institution
- ASM editorial and council holds the right in editing the articles submitted
- ASM editorial and council holds the right in determining when the article is to be published
- ASM editorial and council holds the right in not publishing the articles submitted
- Article submitted should be approximately 1-4 pages in length using font Calibri 11 Single spacing
- Entries are to be submitted to editor@actuaries.org.my
- The expiry of promotion will be notified to all ASM members through email
- ASM editorial and council holds the right to revoke cash vouchers should ASM feel that any article submitted is against the terms & conditions mentioned or plagiarism