SAS Monthly

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Contents

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Editorial

The past month has been particularly busy with conferences and Symposiums. The EAAC was, as always, a good event which was well organized and with significant technical content. It was good to see many papers and presentations from the Singapore delegation.

The Appointed Actuary Symposium in Singapore was also very well attended. The event is now well and truly one of the leading annual events in the Singapore actuarial profession calendar and it is particularly good that it is tailored to issues relevant to actuaries practicing in the Singapore market. From next month we hope to features a series of short articles from some of the presenters at the event.

And as I write this I have just attended an 'inaugural' actuarial event held by the Indonesian actuarial society in Bali (held at the same time as a similar event in the Philippines).

For those of you that have attended any of these events please do not to forget to complete your CPD online and to reach the CPD goals for the year!

Richard Holloway

Message from the President

The 16th EAAC (East Asian Actuarial Congress) conference was held in Malaysia in October and it was an excellent event. One major change to the EAAC came about during the Executive Council meeting, which was that the EAAC conference will now be held annually, starting after Singapore hosts in 2013. Will Chong was elected as Chair of the EAAC and is heading up the committee for organizing the next seminar.

Jill Hoffman

Upcoming Events

Date	Event	Location	Contact
17th Nov	Direct Insurers' Stress Test Exercise 2011 for General Insurers	The Executives' Club, #33-01 OCBC Centre, Singapore	Patsy Lau: admin@actuaries.org.sg
20th – 22nd Nov	Accident Compensation Seminar	Brisbane, Australia	Emma Simonson: emma.simonson@actuaries.asn.au
20th – 22nd Nov	8th Annual Risk Management Institution of Australasia Conference	Crown Entertainment Complex, Melbourne Australia	info@rmiaconference.com
2nd Dec	SAS Bowling Night	Marina Square SuperBowl	Annette King: Annette_king@manulife.com
30th – 31st Jan 2012	2nd Climate Change Summit for Asia's Insurance Industry	Singapore	Asia Insurance Review
15th – 16th Feb 2012	12th Asian CEO Insurance Summit	Marina Mandarin Hotel, Singapore	Asia Insurance Review
19th – 21st Feb 2012	14th Global Conference of Actuaries	Mumbai, India	Aparajita Mitra: aparajita@actuariesindia.org

Council Update

During the 16th East Asian Actuarial Conference (EAAC) held last month, Patsy who attended the conference had an enriching experience, listening to the various speakers and seeing how the programmes were run. I am sure her valuable feedback about the EAAC will be useful to us as we begin to plan for the next EAAC to be held in Singapore in 2013.

I have also attended on behalf of SAS the opening ceremony of the 11th Singapore International Reinsurance Conference (SIRC) held in Marine Bay Sands early this month. It was a great opportunity to witness and experience another grand regional conference for our industry. As Asia continues to grow in its importance as a regional insurance and reinsurance hub, we have observed that insurance conferences held in the region are growing both in size and reputation over the last few years. Insurance delegates and business partners from all over the world are coming to Asia for our regional conferences, and I am certainly proud to be in Asia for such an exciting time.

In the month of November we have our 4th Appointed Actuaries Symposium where our life insurance actuaries can exchange their views and ideas on current issues. On the General Insurance side, we are hosting a MAS-SAS forum for our members to discuss and share their experiences on the Stress Test exercise, which will be useful for the development of a guidance note on stress testing. For more information on these events, please visit our SAS website.

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

Raymond Cheung

Committee Reports

• Life Insurance

This year's AA symposium was a success with a record number of more than 70 participants. To facilitate a more vibrant exchange of views between actuaries on current issues facing the profession, an interactive break-out session was set up for this year's event. Three topics were discussed: Solvency II, issues on current economic environment and topics on retirement solutions. We have gathered the discussion points and are now working with the facilitators on a report. These reports will be published in this space for the next 3 months. We would like to thank the participants of the break-out session for their contributions to the topics discussed.

The Life Committee would also like to thank our speakers for making this event a success.

Koo Chung Chang

• Health Insurance

Survey of SAS Members, September 2011

Background

In September 2011, the SAS Health Insurance Committee conducted a survey of members to gauge their involvement and interest in health insurance matters.

Responses

Unfortunately, the response to the survey was lower than expected. The Committee received survey returns from only 15 members. We believe that this represented only a small proportion of the number of members who are involved in health insurance, in one way of another. It is difficult to draw definitive conclusions from such a small sample.

Results

However, in appreciation of those who made the effort to complete the survey questionnaire and submit it to us, we present the results below, without quoting too many numbers (whose accuracy must be said to be questionable, given the small sample). Regardless of the credibility of the results, the Committee will move forward taking into account the feedback received.

The Respondents and Involvement in Health Insurance

The 15 respondents ranged in age from 23 to 60 years, with an average of 34 years. They have been working for an average of 11 years, with experience spanning 1 to 36 years. 9 of these respondents are fully qualified actuaries, with an average of 9 years of experience after qualification.

7 respondents work for direct life insurers, 5 for reinsurers and 3 for actuarial consultancies. 3 had no involvement in health insurance in 2011, while 6 spent 50% or more of their time on health insurance matters. As may have been expected, 7 respondents spent 50% or more of their time on life insurance matters. However, 6 respondents spent 0% of their time in 2011 on life insurance matters, indicating that they are more involved in general insurance, with focus on health insurance matters.

13 respondents are involved in pricing and product development, and analysis of experience, of health insurance products. 10 also have valuation of liabilities and capital requirement responsibilities. Only 4 respondents have risk management duties, indicating an area into which actuaries and actuarially-trained personnel can provide greater input.

Maybe unsurprisingly, the main categories of health insurance which respondents are involved in are medical expense (ME) (12 respondents) and critical illness (CI) (8) insurance. However, quite a few have responsibilities for long-term disability (7) and long-term care (5) insurance, but to a smaller extent of their work schedule than those involved in ME and CI insurance.

For information, the respondents were spread evenly across levels of responsibility from technical analyst to business owner (exactly 3 each!). 11 gained all their work experience in Singapore and Asia, while 4 have had experience in North America and Europe.

Challenges at Work

Respondents cited lack of data (11 respondents) and lack of technical expertise (9) as their principal challenges in their health insurance work, but not unanimously so. Some (7) face challenges dealing with other departments in their organisations. This is an area which may be explored in more detail – can this be an issue of communication?

Role of SAS Health Insurance Committee

There was overwhelming support for all of the options presented – to organise seminars and conferences, to develop a health insurance resource centre, to develop guidance notes, to issue annual reports on healthcare issues, to analyse data in the public domain, and to compile and analyse industry experience data – positive responses received from 13 or more respondents for each option!

For seminars and conferences, and resources to be compiled, respondents will like the Committee to focus on product development and pricing, and analysis of experience, and on medical expense and critical illness insurance. Respondents proposed that guidance notes be drawn up for product development and pricing, and valuation of liabilities and capital requirements.

Expressed Interest in Contributing

Thankfully, given the wide range of activities which the Committee can be involved in, 7 respondents indicated interest in contributing to the Committee's efforts to enhance members' health insurance knowledge and expertise, with 6 interested in helping to source for material for the resource centre, and 5 in compiling and analysing industry aggregate experience data.

Way Forward

I will contact these 7 respondents and, together with existing Committee members, plan the Committee's programme for 2012 and 2013, allowing for the Health Insurance Conference due to be held in May 2012. The responses received through the survey will guide our planning.

Thank You!

Before I close, I wish to thank all those who responded to our survey. Regardless of the small sample size, your views will be taken seriously and will form the basis of the Committee's work from now on (until the next survey is conducted – in 2013?).

Chi Cheng Hock

• General Insurance

The invitations have been sent out, so later in November the SAS will host a discussion between the MAS and the Certifying Actuaries of general insurance companies in Singapore. The intention of this meeting is to provide a recap of the recent presentation from the MAS to the Principal Officers on the Stress Test exercise and to allow a more technical discussion of the approaches used and the future direction of the exercise. I hope to see all the certifying actuaries and members with an interest in the general insurance stress test exercise there on the 17th.

Secondly, we have had some expressions of interest in joining the working parties for next year's General Insurance Conference, however we still need plenty more volunteers to complete the teams, so if you have an interest to join one of the groups, please let me know which one and I will ensure you are given the additional details for that group.

Matthew Maguire

There were no updates from the other committees for the month of October.

New Members

Fellow Membership:

NG Ho Lai Leo, Manulife Insurance Bhd
Gavin Paul PEARCE, Liberty International Underwriters
SOO Wai Kit, Aviva Ltd *(Upgraded)*

Associate Membership:

Nil

Ordinary Membership:

Kugenthiran A/L A RAVEENTHIRAN, Towers Watson

Student Membership:

LuYa WANG, The University of Melbourne
TAN Xin, Nanyang Technological University
XIA Bing Xing, Nanyang Technological University

News & Articles

• General News

Strengthen Safety Net for Self-Employed, Urges MP

Channel News Asia, 20 October 2011

Including self-employed people in the CPF scheme was the focus of Mr Seng Han Thong's speech in Parliament.

The MP for Ang Mo Kio GRC said those who are self-employed are inadequately insured against unfortunate events such as death, permanent disability or critical illnesses and he urged the government to support them.

Mr Seng also pointed out that the existing Medisave, Medishield and Medifund schemes do not cover for the loss of income and recurring cost when self-employed persons are unable to work temporarily.

He said: "We should set up an automatic opt-in basic life insurance scheme which can be paid (for) by the CPF savings. This will further strengthen the social safety net of the inadequately insured self-employed persons, or for that matter, all Singapore citizens under the CPF scheme."

Later, MP for Jurong GRC, Desmond Lee, urged government agencies to continually review their existing stable of social programmes and see how these programmes can be enhanced.

He said there are families who are not aware of the kind of government assistance available to them.

Mr Lee said: "Social service agencies can further strengthen their outreach efforts, galvanize the extensive local grassroots network, and encourage active citizens in the community to help spot Singaporeans in distress.

"The grassroots movement can also form local communities of care within closely-knit neighbourhoods, such as within a precinct or even within a single block, to provide support and care for the disadvantaged."

Significant Growth Opportunities for Asian Reinsurance

Fitch Ratings Agency, 16 October 2011

Fitch Ratings says in a new special report that the reinsurance market in Asia is still in a nascent stage with abundant growth opportunities. Asian contribution to total global reinsurance premiums is estimated by industry to be below 10% and out of line with the population size and economic growth in Asia.

The report highlights that the Asian markets have been increasingly plagued by natural catastrophes in H111. "The tragic events that occurred in Japan, New Zealand and Australia were ranked as three of the five costliest disasters globally during this period. The increase in natural catastrophes underlines a need for greater risk awareness and emphasises the growing importance of having proper and appropriate reinsurance protection," says Wan Siew Wai, Senior Director in Fitch's Insurance team.

Fitch further notes that as the regulatory environment evolves, Asian jurisdictions have seen increasing adoption of risk-based capital regimes to commensurate with the risk and business profile of licensed (re)insurers. Fitch believes this could indirectly lead to an increase in demand for reinsurance in Asia as direct insurers seek to transfer more underwriting risk to reinsurers.

The report also notes that with market liberalisation, national reinsurers which used to enjoy high compulsory cessions are gradually facing reduced cession and, in some jurisdictions, complete abolition. Fitch, however, believes that while the national reinsurers may see their market share shrink, they will remain dominant players due to their strong market franchise and widespread local distribution networks.

In a Volatile Market, Some Turn to Insurance Instead of Bonds

NY Times, 14 October 2011

LIFE insurance, it's fair to say, is a subject that provokes strong opinions. People who like insurance see it as a way to leave money to heirs tax-free or to make sure there is money for a rainy day. Those who don't like it see a product that generates huge fees for the seller and a diminishing benefit for buyers who probably don't understand it.

But given the low interest rates on government bonds, some financial advisers have begun encouraging clients to buy permanent life insurance— permanent because it does not lapse, like term insurance, after a set time — as a substitute for bonds in their portfolio.

Their argument is threefold: the rate of return on permanent life insurance is 3 to 5 percent, the money in a policy ultimately passes to beneficiaries free of income tax, and owners can borrow against the policy without incurring any taxes. If they do not repay the loan, it will simply be deducted from the death benefit.

But there are plenty of advisers who point to the layers of fees in any insurance policy — for the management of the underlying investments, for expenses and for the cost of covering the risk of people dying without making all their premium payments. The advisers also say that insurance policies limit the gains that someone gets on the money invested and that the gains go down the longer you live.

But given the continued volatility in the stock market and low yields on United States Treasury bonds for the foreseeable future, there has been an increase in interest in insurance policies for their steady, if low, returns.

Is this a good thing? It depends whom you ask. "As far as saying your bonds aren't performing well right now, let's put them all in the insurance policy, I don't agree with that," said Larry Rosenthal, president of Financial Planning Services, a wealth management firm in McLean, Va. "But I understand it from the perspective of accumulation, death benefits and tax deferrals."

Bob Plybon, chief executive of Plybon & Associates, an insurance agency and wealth adviser in Greensboro, N.C., took the other side. "I think where we are from an economic standpoint it makes tremendous sense to look at it as an asset class," he said. "Right now, you have the ability to generate yields that are competitive with other investments."

Surprisingly, some people in the insurance industry are cautious about treating life insurance as an asset class. "I believe insurance should be used as insurance," said Ron Herrmann, senior vice president of sales and distribution at the Hartford. "Taking money out of the life insurance has ramifications to the life insurance itself."

So what do you need consider if your adviser suggests you think about putting money into a permanent life insurance as an investment?

WHEN IT WORKS: People who want to use permanent life insurance policies to build wealth do so by paying more than the premium, a practice known as overfunding. This can mean anything from increasing annual payments to making a lump sum payment.

"Overfunding could be a good use because it enables you to get a longer-term return," Mr. Herrmann said. "If someone was doing this to take money out in one year, it's probably not a good thing. If you're looking 15 to 20 years down the road, it works better."

For people with substantial wealth, above $5 million, the advantage is predictable growth on a part of their portfolio that they hope not to need.

"Over a 20-year holding period, most permanent life insurance policies have an internal rate of return of 3 to 5 percent depending on the company," said Adam Sherman, chief executive of First Trust Financial Resources, a wealth manager and insurance broker in Philadelphia. "Given how the world looks, is it bad to have a 5 percent tool in your investment box? It's not going to hurt you."

Or put another way, life insurance gives you guaranteed growth: the death benefit will be worth more than what you put in. Critics would argue that you could earn more money investing that money outside an insurance policy, but even some very wealthy people do not want to take the risk.

Mr. Plybon said he worked with a couple in their 70s who wanted to buy a large insurance policy after watching their net worth drop to $20 million from $30 million in 2008. While they clearly did not need money to live on, they wanted to find a way to get it back, since they had earmarked it for their family foundation. For a premium of about $1 million, he sold them a policy that would pay out $10 million after both spouses died.

Why not just invest that money in other, faster-growing assets? “They didn’t want to take a chance,” Mr. Plybon said. “They wanted to get less aggressive, not more aggressive.”

The other main advantage of insurance as an asset class is its preferential tax treatment. It is well known that the death benefit passes to heirs free of income tax. But policy holders can also borrow up to the amount they put into the policy tax-free and after that take out a loan against the policy, which can be repaid or deducted from the death benefit.

WHEN IT DOESN’T: Treating an insurance policy as an asset class can be a bad idea if you expect the policy to be more than it is.

“Just like any other asset someone would invest in, you have to pay attention to it,” said Glen Coral, director of advanced planning at CBIZ, a consulting firm. “You have to make sure the reason you purchased it in the first place still makes sense, and you have to make sure it’s performing as you anticipated it might when you first purchased it.”

Borrowing against the policy, for example, means you have to pay interest, and as the interest compounds over the years, it could greatly reduce the value of the policy.

Permanent life insurance is also loaded with fees up front, so anyone who wants to cash in a policy before 10 or 15 years is going to lose money. So those frustrated by the current low yields in the bond market need to weigh whether their frustrations will last a decade.

They also have to decide whether the security of insurance is worth what they will lose in returns. Mr. Coral estimated that over 25 years a low-cost bond portfolio would have returns 1 to 1.5 percent higher than a permanent life insurance policy.

Most policies sold today are some variation on universal life, where the cash value of the policy grows as the underlying investments grow. So there is the chance for higher returns. But there is also a chance for far lower returns. Many policies guarantee at least a 3 percent return, but others, like variable universal life that allow for greater appreciation, may not.

“Insurance companies want you to think of it as an investment vehicle, but it’s a protection vehicle,” said Robert D. Russell, president of Russell & Company, a retirement adviser in Dayton, Ohio. “Fifteen years at 5 to 6 percent? Show me that in writing.”

Of course, at some point someone will get a return on the money you put in, whether it is 3 percent or 15 percent. “Mortality is recession-proof,” Mr. Sherman said. “When we go, it’s not going to be because the Dow was up or down.”

Written by **Paul Sullivan**

Singapore Plans ‘Judicious’ Dollar Management as Growth Slows

Bloomberg, 11 October 2011

Singapore said its economy will probably expand at a slower pace in the next few years and the central bank will continue “judicious management” of its currency to curb inflation and support growth.

The island’s expansion will be affected by a “more uncertain” global economy and the government will increase spending in the next five years, Finance Minister Tharman Shanmugaratnam, who is also deputy prime minister and chairman of the Monetary Authority of Singapore, said in a statement yesterday. The government issued the statement to elaborate on plans presented by President Tony Tan in parliament on Oct 10.

"The headwinds from slower global growth will mean slower growth in Singapore in the next few years," Shanmugaratnam said. "In this environment of heightened risk and volatility, MAS will continue to provide the basis for economic and financial stability in Singapore."

Europe's debt crisis and a faltering U.S. recovery have hurt demand for Asian goods, raising the threat to regional growth and prompting some central banks to start cutting interest rates or refrain from increasing borrowing costs. Singapore's central bank will remain "vigilant" against a resurgence in inflationary pressures and price gains are expected to moderate toward the end of 2011, Shanmugaratnam said.

Singapore's monetary authority uses the exchange rate rather than borrowing costs to conduct monetary policy and manage inflation, adjusting the pace of appreciation or depreciation against an undisclosed trade-weighted basket of currencies by changing the slope, width and center of the band.

'Anchor of Stability'

"A stable Singapore dollar is an anchor of stability for our small, open economy," Shanmugaratnam said. "Continued judicious management of the effective exchange rate of the Singapore dollar against a trade-weighted basket of currencies will help dampen inflationary pressures while supporting economic growth."

Singapore remains vulnerable to fluctuations in overseas orders for manufactured goods even as the government boosts financial services and tourism, making it the most volatile Asian economy, according to Credit Suisse Group AG. The island, located at the southern end of the 600-mile (965-kilometer) Malacca Strait, has the world's second-busiest container port.

Singapore plans to "significantly enhance" its transport networks, and improve education, health-care and housing services, Shanmugaratnam said. The policies will increase government expenditure as a percentage of gross domestic product in the next five years, he said.

Election Effect

Prime Minister Lee Hsien Loong has vowed to be more responsive to public criticism after support for his party fell to a record low of 60 percent in the May general election as citizens expressed discontent over rising costs and competition with foreigners for jobs and housing. He has unveiled measures to widen the social safety net for elderly and lower-income Singaporeans as well as tighten curbs on foreign workers.

"We must maintain a sound and sustainable fiscal system," Shanmugaratnam said. "We have put in place a resilient revenue structure to enable us to meet these higher spending needs."

Europe's sovereign-debt woes and the threat of a U.S. recession have roiled global stock markets, erasing almost $10 trillion from equities last quarter.

Sovereign Wealth Management

Government of Singapore Investment Corp. and Temasek Holdings Pte, the island's state investment companies, spent more than $25 billion buying stakes in U.S. and European banks in the past four years as the collapse of the subprime mortgage market led to more than $2 trillion in losses and writedowns worldwide.

"In a more volatile and challenging investment environment, we must hold to a framework that enables GIC and Temasek to focus on the long term and pursue investment strategies that generate sustainable portfolio returns," the finance minister said.

The central bank will boost surveillance and conduct regular stress tests on its financial sector, the government said yesterday. There are also plans to introduce new liquidity standards and improve the risk-based capital framework for insurance companies, it said, without elaborating.

Singapore's three banks are ranked among the world's six strongest banks, based on criteria such as Tier 1 capital ratio, non-performing assets and a comparison of costs against revenue, Bloomberg Markets magazine reported in its June issue. Oversea- Chinese Banking Corp. topped the global list, with DBS Group Holdings Ltd. at No. 5 and United Overseas Bank Ltd. at sixth.

By Shamim Adam

Students' Column

On 23 September 2011, QFASC organized the Actuarial Networking Night for NTU's actuarial science cohort, as well as juniors who may be interested in the area of actuarial science. The event was graced by Ms Jill Hoffman, President of the Singapore Actuarial Society (SAS), as well as distinguished guests from various insurance companies such as Aon Benfield Asia Pte Ltd, AXA Life, Chartis Insurance, MSIG Insurance, Tokio Marine Global Re Ltd and Towers Watson. NTU's very own actuarial science professors and alumni were also present for the networking night. The objectives of the event are to provide opportunities for actuarial students to gain specific information about the highly sought-after actuary's pay, an actuary's work, career paths, and to inspire more interest and awareness about the actuarial profession. The Networking Night was also an avenue for NTU's actuarial science cohort to connect with actuaries in the industry.

The night began with Ms Jill Hoffman sharing her experience and valuable insights on the actuarial profession with the audience. An effective speaker, Ms Jill Hoffman got the audience engaged and there were constant laughter from them. Judging from the crowd's response, they must have really enjoyed the talk!

The next speaker was Mr Goh Jio-Young, an NTU actuarial science alumnus who joined Chartis Insurance. In his speech, he shared about his experiences; giving statistics on the percentage of his course mates who went into the insurance industry. The final speaker was Mr Tian Cheng, the former president of QFASC. He shared about his experiences as an actuary student in NTU, sharing encounters during his internship and how life in the insurance field was like after graduation.

This networking night was also an inaugural event to welcome the year two students who just joined the actuarial science specialization. We wish all year two students the best of luck in your studies and welcome to actuarial science!

On a special note, QFASC would like to thank the SAS for their tremendous contribution in making this event a huge success. The SAS showed strong support for this event as evidenced by a solid contingent of top actuaries who came and networked with our students. We hope that this successful collaboration will lead to much more fruitful collaboration in the future.

The actuarial science students clearly benefited greatly from this event as they learnt more about the actuarial profession from actuaries themselves. This will help the students make much more informed career choices, not to mention the valuable contacts gained in the form of top actuaries' name cards!

Aaron Wee

Brainteasers

#1

A car thief, who had managed to evade the authorities in the past, unknowingly took the automobile that belonged to the Inspector. The sleuth wasted no time and spared no effort in discovering and carefully examining the available clues. He was able to identify four suspects with certainty that one of them was the culprit.

The four make the statements below. In total, six statements are true and six false.

Suspect A:
1. C and I have met many times before today.
2. B is guilty.
3. The car thief did not know it was the Inspector's car.

Suspect B:
1. D did not do it.
2. D's third statement is false.
3. I am innocent.

Suspect C:
1. I have never met A before today.
2. B is not guilty.
3. D knows how to drive.

Suspect D:
1. B's first statement is false.
2. I do not know how to drive.
3. A did it.

Which one is the car thief?

#2

A basket contains 5 apples. Do you know how to divide them among 5 kids so that each one has an apple and one apple stays in the basket?

Answers for last month's brainteasers:

#1

	Current	**Previous**
Brian Baker	Carpenter	Plumber
Charlie Carpenter	Butcher	Baker
Dave Plumber	Baker	Butcher
Eddie Butcher	Plumber	Carpenter

#2

The word Seven.