

# Malaysian Actuary



FOR INTERNAL CIRCULATION ONLY

## *Message from the President*

**With the change in the Constitution in the recent AGM, the financial year end of ASM will also change from March to December. Effectively, the term of the current EXCO will be the shortest in the history of ASM.**

It is a real challenge to deliver meaningful results in such a short span of time. So far the EXCO has met 2 times out of the 4 planned meetings in the current term. Things have been moving relatively slowly than what I would have liked to see. We have not made much progress in General Insurance field, which I see as a tremendous growth area for employment of actuaries and actuarial students in Malaysia. We hope to be able to conduct a workshop / seminar by year end that will equip our members with better skills in this important area.

For those of you who have been following closely with the events of the ASM, you would have no doubt noticed about the recent 2 seminars jointly organised by IAA & ASM, and LIAM & ASM. The

seminars were well attended, including a good representation of delegates from overseas. The general feedback we received on the seminars is positive and we believe that most delegates have benefited from the seminars. The organisation of such events are in line with the objectives of ASM as spelt out in our Constitution, in particular Section 1 (e): To promote the study and discussion of actuarial matters and 1 (a): To promote and maintain high standards of competence of our members. It is also in line with the direction of ASM which is focusing more on professional events rather than social events.

I would like to end this short message by touching on the issue of resources, which I see as one of the biggest threats to the progress of ASM. The size of the actuarial profession in Malaysia is relatively smaller compared to some of our neighbouring counterparts such as Singapore, Philippines and Hong Kong. We are always faced with the challenges in filling the positions in the EXCO as most members are very tied up with their daily work and some with their studies as well. For most of us who are involved in the running of ASM, sad to say, in terms of

priority, ASM's works usually come last. The problem of resources has been worsening recently through brain-drain, which has restarted after an absence of 2 –3 years. According to my statistics, this year alone, we have seen 4 senior actuaries relocating to neighbouring countries. This represents approximately 13% of the actuaries practising in Malaysia! With this further tightening of resources, the Society will need to be even more focused and prioritised in the activities it has in plan. I also urge all members to come forward and lend your helping hands in whatever way you can.

As I always said, we should see servicing ASM as doing our "National Service". Due to our small membership size, all members are automatically selected into this "National Service". If all of us subscribe to this concept and come forward to complete your "National Service" in one way or another, I am sure that together we can take ASM to greater heights!

*Teh Loo Hai*

# The 2004 ASM Office Bearers



Teh Loo Hai, President of ASM 2004



The new office bearers of the ASM 2004



Some of the prior 2003/2004 office bearers

**President:** Teh Loo Hai

**Vice-President:** Tony Cheong

**Secretary:** Yoon Yew Khuen

**Treasurer:** Betty Tan  
(Subsequently taken over by Kau Kong Hoi)

**Committee Members:**

1. Aiza-Yasmin Benyamin
2. Raymond Lai
3. Lee Jiau Jiunn
4. Ahmad Farouk Mohammed

A new **Auditor** was also elected:  
Hassan Scott Odierno



Mr. Govind of BNM giving his personal thoughts on some issues...



Present and past committee members of the ASM...having a good time at the ASM AGM 2004

## *The 35<sup>th</sup> ASTIN Colloquium Bergen, Norway*

*June 7<sup>th</sup> – 9<sup>th</sup>, 2004*

**Contributed by  
Sreedhar Menon, FSA  
MNI Berhad**

The 2004 ASTIN (Actuarial Studies in Non-Life Insurance) Colloquium took place recently in Bergen, Norway from June 7-9.

The only two attendees from Malaysia were the writer and Mr. Yoon Yew Khuen from Bank Negara. The event is organized yearly and is a gathering of leading general insurance actuaries from all over the world to discuss the latest research and findings in the field. In this august company, the Malaysian contingent felt truly humbled but nevertheless soldiered on to try and glean whatever we could from the proceedings.

The keynote topics focused on climate changes, insurance fraud, use of genetics in screening, and the future of the actuarial discipline.

Hans Van Storch of the Institute of Coastal Research in Germany highlighted that in his country, although losses from weather perils seem to have increased appreciably, the escalation in costs are actually far more muted if adjustments were made for the

effects of inflation. In addition, reliance on historical figures must be tempered with the awareness that measurement technology was fairly rudimentary at that time compared to the present day. The stability of measurements was also affected by the actual location of the measuring device (e.g. measuring wind speeds near the sea vs. further inland).

David Andersen of Guy Carpenter indicated that, after allowing for changes in insured values, there was no marked upward trend in weather losses in Scandinavia.

Gerhard Benz of Munich Re stated that there was a worldwide escalation in weather-related losses, precipitated by increases in population, higher standards of living, greater concentrations of people and property, the movement of populations to more exposed areas, larger insured values partly due to inflation, and a deterioration of weather conditions.

Tommy Short, past president of the International Association of Special Investigation Units and one of the world's leading insurance investigators, highlighted that fraud is a costly phenomenon for both the consumer and the insurer. The global upswing to fraud incidence could be attributed to the prevalence of the Internet, lower trade barriers worldwide, and greater population mobility. Perpetrators ranged from individuals acting alone (staged accidents), groups (collusion between claim handlers, adjusters,

lawyers, workshops, doctors, etc.) to organized crime. He also made the very important distinction between willful fraud (expensive but relatively rare) to "abuse", the tendency to falsify or exaggerate a claim after the fact, which is far more prevalent and practiced by many (including, dare we say, actuaries!). The latter is a truly insidious phenomenon, which actually costs more to the insurer, since it is much more difficult to detect and prosecute, and it often escaped scrutiny altogether.

Montserrat Guillen of the University of Barcelona, presented a statistical model based on Spanish motor claims data, which could be used as a possible fraud scoring system. Key variables comprised type of claim, vehicle, and insured amounts.

Irene Laegreid of Sparebank 1 in Norway, noted seasonal variations in fraud incidence, and also variations by rural vs. urban area, and line of business.

Richard Derrig of Opal Consulting emphasized the importance of further formal study of fraud by actuaries, considering the significant cost.

Timothy Bishop of Cancer Research UK of the University of Leeds profiled cancer pathologies by genetic family history and causal influences.

William Nowlan of National Life insurance in the US discussed the possible extension of genetic typing beyond DNA profiling to

# ASTIN

include RNA, proteins and chemicals. Working papers were also presented on claim delay patterns, IBNR analysis, fair value reporting of assets and liabilities, extremes theory, options and their applications, pricing and ruin, and risk management.

Jean Lemaire, a renowned actuarial futurist and observer of trends, of the University of Pennsylvania cautioned actuaries not to focus on breadth of knowledge at the expense of excelling in the area in which they have specialized. Actuaries have begun to delve in fields that have not traditionally been their domain and will face competition from statisticians, financial theorists, quantitative analysts in such endeavors whereas the classical actuarial discipline was our own special area of expertise. He also warned the audience to always try to add value to their respective employers instead of remaining as pure technocrats, since they risked their function being outsourced to lower cost centers like India and China which in the medium term would one day perform their functions as well and at a reduced price. In fact, Professor Lemaire indicated that there was already a developing trend in the U.S to outsource the investment analyst function to Bangalore, India.

On that somewhat ominous note, which Malaysian actuaries may do

well to heed, the conference was closed with a vote of thanks for the generosity of the sponsors, The Norwegian Actuarial Society, who subsidized part of the cost incurred by all attendees and arranged the excursions.

*Personally*, I walked away from the conference with the following observations:

- 1) Norway is a cold (even in June) and breathtakingly beautiful country. The fjord trip was amazing.
- 2) Norway is also one of the costliest and richest nations in the world, with a per capital income of US\$33,000 and a price structure which includes RM200 for a 20 minute cab ride and RM50 for a Big Mac, fries and Coke.
- 3) Actuaries need to stay relevant or face extinction.
- 4) The invisible dividing line that separates Fellows and others simply did not exist. Everyone was equal and only knowledge mattered. Again, a point Malaysian actuaries may want to heed.
- 5) There was no place for ego in the forum. In fact, I noted sense of self importance seemed to vary inversely with competence and knowledge, with world authorities like Thomas Mack of Germany being the most approachable. Considering the somewhat

remote and distant demeanor of many of our qualified peers in this country, I wonder what that says about us. Overall, it was an excellent and truly informative forum for the sharing of state of the art actuarial knowledge in the general insurance arena. Papers can be downloaded from [www.astin2004.no/English/Ind ex2.htm](http://www.astin2004.no/English/Ind ex2.htm).



Scenic City of Bergen...



## *Career Profile: An Interview with an Actuary*

**Aiza Yasmin Benyamin, FIA  
Mercer Zainal Consulting**

Aiza Yasmin Benyamin (AYB) is a consultant and actuary in Mercer Zainal Consulting. “Malaysian Actuary” (MA) had the pleasure of interviewing her amidst her hectic work schedule.

**MA:** *What is your typical workday like and what do you do as a consultant?*

**AYB:** I leave my house at 8am, arriving in time to office for my much anticipated coffee to jolt me up (I’m definitely not a morning person!) and also to check through my emails. From 9am onwards, it is the battlefield: Phone calls from clients, reports to complete, slide presentations to prepare, the list goes on. My team has just completed an Appraisal Valuation project recently. Right now, most of my work centre on Financial Condition Reporting and the supporting analyses for a client, as well as several Takaful product developments. Apart from that, there are also projects not exactly actuarial in nature that I am working on, for example research on bancassurance implementation strategies.

**MA:** *Is there any work you particularly enjoy doing, and any which you don’t?*

**AYB:** I enjoy analytical work – Making sense of numbers. I enjoy

advising and adding value to services rendered to clients. Mmmph... at the beginning of my career I disliked having to complete tedious Bank Negara returns!

**MA:** *Tell us briefly about your background, how you came into the actuarial field.*

**AYB:** I was born in Malacca but raised mainly in KL. As my father served in the army, I moved about frequently when I was younger – I was in 6 different schools growing up! I remember that ever since very young, I enjoyed playing with numbers and figuring out maths problems. I was also never fond of school subjects that required a lot of memorizing. In Form Five when my math teacher introduced me to the world of actuarial science, I was hooked! I did a Bachelor’s degree in Mathematics in the University of Manchester (UMIST) and then proceeded to complete my Master’s degree in Actuarial Science in City University, London. My 12 months in City University studying Actuarial Science were so stressful, I had never studied so hard in my life before! I absolutely had no social life for those 12 months.

**MA:** *How was your experience thereafter in searching for and starting your first job?*

**AYB:** Upon completing my Master’s degree, I came back to KL to work. (Ed – We found out why she did not remain in UK: Her childhood love whom she later married was waiting for her here in KL!) I interviewed with only one

company - Mercer Zainal Consulting - as I was very interested to pursue the consulting field and fortunately for me, I got in and started June 1995 and have been here ever since.

**MA:** *Why only consulting, and how was the experience having also to take professional actuarial examinations concurrently?*

**AYB:** For me, consulting meant variety in my work. I am also continuously learning on the job which I find very rewarding. The initial learning curve was very steep as I was exposed to different aspects and application of actuarial work all at the same time, hands-on. Of course, this came with a price - with tight deadlines, I found very little time to devote for studies. But after some time, I began nailing down examination techniques and coupled with practical work experience that helped in understanding the study materials, I qualified in 2002 as an FIA.



Aiza...

**MA:** *As an experienced actuary, what future developments do you foresee in our Malaysian actuarial scene?*

**AYB:** I believe that the Insurance sector is heading for interesting times – with the push from the regulators towards risk based capital. Also, Bank Negara would soon launch measures to increase actuarial involvement in General Insurance which is much anticipated and follows development in the rest of the world. Our actuarial expertise is becoming less confined to areas where we traditionally practice.

**MA:** *Which areas do you feel can be improved upon locally?*

**AYB:** Communication. Actuaries in Malaysia, fellows and students both, need to speak out more, to voice out our ideas and our concerns. I doubt that we are mostly silent because we cannot or do not have anything to say. Perhaps we are afraid that we may say the wrong things and hence are seen in a bad light. There seems to be a mysticism we seem to enjoy reveling in. We need to improve in this area and refine our skills to communicate our thoughts and opinions to management and even the public at large more confidently and not be left behind by our peers from other professions. It doesn't seem much sense to me that we know our stuff but do not seem to want to share it with anyone! I also find that communication is also a big problem for fresh graduates, mostly the local grads, sad to say. A prospective employer will be reluctant to hire someone who has

trouble speaking out and expressing oneself, especially if it is in consulting.

**MA:** *In conclusion, what advice would you give aspiring student actuaries, and also for those thinking of joining the consulting field?*

**AYB:** For students contemplating actuarial science, I would suggest you speak to an actuary. Find out more about the nature of the job, how difficult it can be to qualify as an actuary – looking around at my colleagues, there is a lot of sacrifice involved – time, social life, family life. For current actuarial students, again I re-emphasize on communication skills – voice out your observations, discuss your concerns. And for those contemplating on joining the consulting sector, be prepared to spend more hours in the office - time management and prioritizing become very critical to exam success and a balanced life. Other challenges include having many clients - which means having many 'bosses' - and making sure to keep them all happy! Of course, the benefits are there too: Variety at work, challenging and rewarding projects and tasks, and most importantly, the continuous learning process.

**MA:** *Thank you.*

## *Career Profile: An Interview with an Actuarial Student*

**Leong Su Yern, SOA Student  
Hannover Life RE**

**MA:** *How and when did you learn about the Actuarial profession?*

**LSY:** I first learnt of this profession when I was in secondary school; a friend told me about it. I heard that you can earn a lot of money in this line, which definitely attracted me. I never really liked Biology at school so I chose Mathematics. To my surprise, there is actually quite a lot of book work to do! I didn't expect that there'd be so much to memorise though, totally unexpected!

**MA:** *So can you give us a summary of your background?*

**LSY:** Well I'm from Penang. I graduated with a degree in Actuarial Science from UKM in 2002, having started taking Society of Actuaries' exams since my first year in university. The course was taught in Malay, but I think it would have been better if the medium of instruction was in English. I completed four of my exams at university and one more since starting work. My current job is also my first job; I've been with this company for about two years now.

**MA:** *Why did you choose to go into Reinsurance?*

**LSY:** I got an offer from Hannover Reinsurance and another insurance company simultaneously. I took up Hannover's offer because it has a 5 days working week, plus I liked the CEO. He interviewed me and I felt that he appreciated what I can offer.



Su Yern

**MA:** *What do you like most about your job?*

**LSY:** I like the fact that my job allows me to meet people and have more contact with my clients. As peak periods are only seasonal (usually quarterly) and not constant, it gives me more time to focus on my studies. There are only 3 staffs in my department where one is the Actuary, the other does marketing and I'm the one left to do the rest of the jobs! So I

actually get to learn a lot from doing everything. I'm also fortunate to have a good boss, he's an Actuary from Australia and was an examiner too. He is able to give me valuable feedbacks and great model answers!

**MA:** *What do you dislike most about your job?*

**LSY:** So far, there's been nothing I particularly dislike about my job.

**MA:** *If you were given a second chance at your career, would you want to change anything? If yes, then why?*

**LSY:** If there's one thing I'd like to change, it would be to start in the Life Office. This is because I'd be able to see more things and would appreciate the fundamentals more in depth. In Reinsurance, we only get to see the end results provided by life insurers and hence; only able to have a bird's eye view of the "forest" from above. However, in Life, you will actually go through the whole process of producing the end results and hence; able to go into the "forest" to explore and find your way out! It gives you a different perspective altogether.

**MA:** *Briefly describe a typical day at work.*

**LSY:** Well I come in around 8am and browse through my e-mails that usually takes a few minutes. Then I'd study for an hour.

Afterwards I'll reread my e-mails thoroughly. My daily work functions include valuation, business planning, pricing and analysis. I'll go for a quick lunch then get back to work. My work will occupy my whole afternoon, until 6pm when it's time to go home. Yes 6pm is the usual time for me. However, during year ends, it gets much busier when I would stay up till 11pm every day.

**MA:** *How are you coping, juggling between your studies and your work?*

**LSY:** It's not too much of a problem. I make sure that I study at least an hour every day, and start studying four months before the exams.

**MA:** *Is this what you have expected? Is it better or worse? Why?*

**LSY:** It's not really what I had expected actually, real work is a bit different from study. The job scope is not as technical as I expected.

**MA:** *What advice would you impart to potential actuaries and students?*

**LSY:** Study hard in university and try to pass as many papers as you can before you start work; it's easier that way. You should be realistic and don't expect too much in terms of salary when you're starting out as a fresh graduate.



## *Singapore Actuarial Society forms Committees*

*By Chi Cheng Hock*

As actuarial work in Singapore has become increasingly complex, the Singapore Actuarial Society (SAS) has formed a number of Committees to look into the issues of the various fields in which actuaries are currently engaged in - life insurance, general insurance, health insurance - and to look into the members' interest.

The Life Insurance Committee is developing an orientation program for newly qualified Fellows in Singapore as well as for Fellows coming into Singapore for the first time. The program will introduce the Fellow to the regulatory environment and business practices in Singapore. This initiative is in line with the statutory recognition accorded to Fellows of the SAS.

The Life Insurance Committee is also in the final stages of introducing a guidance note, L1, to guide appointed actuaries in their duties. The draft note has been circulated to Appointed Actuaries for their views and will be exposed to the membership soon.

The General Insurance Committee is also promulgating a guidance note, G1, which will guide actuaries involved in the

computation of reserves and assessing the financial condition of general insurance companies. The draft note will be sent to those actuaries currently involved in these duties for comment soon before exposure to the membership.

The Health Insurance Committee will liaise with the International Actuarial Association Health Section to provide resources to actuaries dealing with health insurance so that they can carry out their duties using the latest techniques and principles. The Committee will also conduct research to help these actuaries develop a scientific foundation for their work.

The Membership Committee will promote involvement of members in SAS activities and initiatives, promote the profession to students, and promote the profession to employers in non-traditional fields. This Committee has already been active in organizing actuarial discussion forums, social functions for members, and career talks to pre-university students.

## *Singapore Actuarial Society Responds to the Morris Review Consultation*

*By Chi Cheng Hock*

In light of Sir Morris's review of the actuarial profession in the United Kingdom, the SAS has responded to the invitation of the Institute and Faculty of Actuaries for actuarial associations to submit responses to the Consultation Document, on how the actuarial profession is developed and governed in their respective territories.



## *The Casualty Actuarial Society - An Introduction*

As the actuarial scene in Malaysia delves deeper into general (non-life) insurance, here is an introduction to the Casualty Actuarial Society (CAS) based in the US for the benefit of our actuarial students. CAS pertains to general insurance (or more widely termed in the US as – “property and casualty”) actuarial matters, as opposed to the Society of Actuaries (SOA) which focuses on life insurance, pensions, and investment actuarial issues.

While SOA was formed in 1949 from the merger of the two organizations – the Actuarial Society of America (formed 1889) and the American Institute of Actuaries (formed 1909), CAS was formed in 1914 as the Casualty Actuarial and Statistical Society of America, and adopted its present name in 1921. Its emergence was related to the increase in problems that required actuarial treatment in sickness, disability and casualty insurance.

The CAS exam structure comprises nine papers, where the first four multiple-choice ones are similar to those offered by SOA.

Students would need to choose between the CAS and SOA track after completing these first four exams. The final five CAS papers are written-answer exams. Topics tested (in the sequence of exam number) are ratemaking (#5), reserving and reinsurance (#6), accounting and regulations (#7), investment (#8), and advanced ratemaking (#9). No exemption is given for passing tertiary or postgraduate courses.

Students who complete exams #1 to #7 would have to attend the Professionalism Course (PC) as part of the requirements to qualify as an Associate (ACAS). The PC is a 2-day seminar that does not require any passing of exams: One only has to attend and be on time for each session. To subsequently qualify as a Fellow (FCAS), Associates would have to complete the final two exams. In total, there are nine exams to pass (plus PC) to qualify as an FCAS – There are no projects or project papers to complete.

Currently, there is a major issue being hotly debated within the CAS: To have one and only one qualification within the society – the FCAS designation – and to discontinue the use of the ACAS title. The CAS Board believes this is desirable as: (1) There is virtually no practice rights difference between FCAS and ACAS in the US, (2) It is

confusing to the public that both FCAS and ACAS refer to “fully qualified actuaries”, and (3) ACAS connotes lesser standing than FCAS, although both are fully qualified to sign statements of actuarial opinion.

An obvious issue that arose was the future status of current ACAS actuaries. Many transition options are being discussed, ranging from immediately granting FCAS to all current ACAS and discontinue offering ACAS, to an option of having a “transition period” and thereafter discontinue offering the ACAS title and putting it into “run-off”. Another issue being discussed in connection with this is the reduction of the number of exams from nine to eight for FCAS to shorten “travel time” and to attract more students into the society.

At the time of print, the general consensus within the CAS regarding this issue is to continue offering the ACAS designation only up to year 2008, and at the end of year 2013, automatically granting FCAS to all remaining ACAS actuaries.

More news and information on the CAS can be found at their website: [www.casact.org](http://www.casact.org)

*By Gary Hoo, ACAS*

*Future*  
**FELLOWS**





## *Jokes for Actuaries!*

1. Two actuaries are duck hunting. They see a duck in the air and they both shoot. The first actuary's shot is 20 feet wide to the left. The second actuary's shot is 20 feet wide to the right. The actuaries give each other high-fives, because on average they shot it.
2. A casualty actuary priced an automobile "Fire and Theft" policy with an extremely low premium. When asked why it was so cheap, he said, "Who would steal a burnt car?"
3. A man with a wooden leg wanted to buy fire insurance for his leg. The first actuary quoted an annual premium of \$500, estimating that the leg would burn once in 20 years and the value of the leg is \$10,000. The second actuary quoted an annual premium of \$50. When the second actuary was asked how he arrived at such a small figure, he replied, "I have this situation in the fire schedule rating table. The object is a wooden structure with an upper sprinkler, isn't it?"
4. An actuary is walking down the corridor when he feels a twinge in his chest. Immediately, he runs to the staircase and hurls himself down. His friend, visiting him in the hospital, asks why he did that. The actuary replies, "The chances of having a heart attack and falling down the stairs are much lower than the chances of having a heart attack only."
5. An accountant, a lawyer, and an actuary are walking down the street when they come upon a man who has just accidentally dropped a number of coins out of his pocket onto the sidewalk. The accountant glances around at the coins, totals their value, and advises the man on how much he lost. The lawyer ignores the coins and starts searching the sidewalk for dollar bills. And the actuary uses the total value of the lost coins to project what's left in the guy's pocket.
6. Several actuaries were sitting around at an actuary's joke telling convention. These actuaries knew their jokes so well that they assigned numbers to them. In order to save time, instead of telling the joke they would just shout out the number.  
"387" shouted out one actuary. The others all laughed loudly in approval of the joke. "834" shouted another of the actuaries. The others laughed mildly at this one. "1,023" shouted another of the actuaries. Most of the others laughed mildly at this one. There was one young actuary in the group who was rolling on the floor and laughing hysterically at that joke. The actuary who shouted out "1,023" settled the young actuary who had been rolling on the floor and then asked him "What is it about joke 1,023 that is so funny?" "I never heard that one before", replied the young actuary.

Moments later, an actuary also new to the group, seeing how others get a laugh by shouting out the joke numbers, says "214." No one laughs. He tries another, "427." Again, no response. He tries one final time, "591." Nothing but glassy stares. He asks the actuary next to him, "Why doesn't anyone laugh at mine?" The other actuary replies, "Some people just can't tell jokes".



# Actuarial Society of Malaysia

Persatuan Aktuari Malaysia