

# the Malaysian Actuary

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## Message from the President

**T**he actuarial profession in Malaysia has of late been kept quite busy with the introduction of a number of regulatory changes. In particular, I am referring to the Bank Negara circulars on Asset Share and Dynamic Solvency Testing (DST).

The Professional Sub-Committee was initially embarking on providing guidance notes to ASM members regarding setting DST assumptions, in particular with reference to the 95% confidence intervals. This priority was suddenly changed to place more focus and emphasis on Asset Share issues as this has become more pressing and may have a more far-reaching impact. When I spoke to some of our members recently, especially those with financial year-end 31 December, they expressed strong interest in getting some guidance from ASM on addressing this issue. I urged all of them to participate actively if and when they are approached by the Professional Sub-Committee for assistance, even though the month of December is usually the busy period for

companies with 31 December financial year-end.

As some of you may be aware, Mr. Tony Cheong has decided to relinquish his role as the Chairperson of Professional Sub-Committee. I am pleased to announce that Mr. J.J. Lee has kindly agreed to take over the baton from Tony.

In another development, I was recently told that quite a number of our student/associate members were sitting for the advanced examinations. In one particular SoA exam, I was told there were about 15 candidates. While in another IAAust exam that I supervised, there were 9 candidates enrolled. Naturally I would imagine that for these actively-taken exams, we would have enough students to form study groups that would be of great help to them. When the Education Sub-Committee tried to assist in the formation of these study groups however, I was told that they received more volunteers from qualified actuaries to help as discussion facilitators than students who were interested to join the group. Until today I am still puzzled on the lukewarm response of our students on the initiative by the Education Sub-Committee.



The next Annual General Meeting of ASM will be held in January 2005, due to the change in our financial year. Once again, I urge all members to tread forward to support ASM by volunteering to serve as EXCO and Sub-Committee members. By Constitution, I will step down as President and I would like to take this opportunity to thank the EXCO members and the general members for their support during my tenure. Without your support, we would not have achieved all that we had succeeded to do in the past 1.5 years. I wish the new EXCO the very best and look forward to seeing them taking ASM to new heights.

*Teh Loo Hai*

## News

## Bonus Revision based on Asset Share

**B**ank Negara Malaysia has issued a new JPI 29/2004 on 13 October 2004 which aims to strengthen and enlarge the traditional role of the actuary and provide guideline on bonus revision for the life insurance industry. Appointed actuary needs to consider, in the event of bonus revision, that Participating fund bonus declaration basis is equitable based on asset share studies. The deadline for compliance is extended to 1 April 2005 due to feedback from the industry.

The implication for the guideline is immense.

- Insurance company processes will need to be changed to improve communication with policyholders.
- Determination on supportability of reversionary bonus and terminal bonus based on Asset Share study.
- Requirement to report to Bank Negara 3 months before implementation of bonus revision
- Communication
  - More disclosure in communication to policyholder from previous bonus reductions including enhanced bonus statement, guaranteed cash value, non-guaranteed terminal bonus upon surrender, total cash surrender value and revised sales illustrations.
- Those companies that have reduced bonus rate in the past 5 years, the following information must be submitted to Bank Negara by middle of January 2005.
  - 1) Bonus reduction details and justification.
  - 2) Appointed Actuary comments on need for independent legal opinion on ability to reduce bonus.
  - 3) Asset Share Study as of last financial year end.
  - 4) Communication/Advise to policyholder on bonus reductions

*Raymond Lai*

## Dynamic Solvency Testing

**B**ank Negara Malaysia has issued a final guideline, JPI/GPI 30 as dated 4 October 2004, which requires a minimum standard on Dynamic Solvency Testing (DST) for life insurers. This new guideline shall take effect for the financial year ending 31 October 2004 and onwards.

The objectives of the DST are as follows:-

- To act as extension to stress test, which allows a comprehensive solvency assessment.
- As a solvency assessment tool, it will enable life insurance companies to identify and manage risks to enhance their ability to meet current and future long term liabilities and obligations to policyholders. Improved risk management is expected to enhance life insurance companies' ability to innovate and introduce new products for the benefit of consumers
- To set out a standard for the Appointed Actuary to carry out dynamic solvency testing to assess the ability of the insurer to withstand likely impact from changes in the external environment. Projection of long term, with significant impact quantified, with improve company solvency management and ultimately its financial position.
- DST will be required to be included in annual financial condition report.

*Eng Yuan Choong*

## News

# Updates from Singapore

The Singapore Actuarial Society held an Extra-ordinary General Meeting on Thursday 18 Nov 2004, to vote on the following motions:

1. The adoption of GUIDANCE NOTE L01:  
For APPOINTED ACTUARIES of SINGAPORE LIFE INSURANCE FUNDS
2. The adoption of GUIDANCE NOTE G01:  
For ACTUARIES INVESTIGATING the POLICY LIABILITIES RELATING to GENERAL INSURANCE BUSINESS

Both Guidance Notes were adopted by overwhelming margins, unanimously for L01.

These Guidance Notes represent the firsts for the SAS. They had been in gestation for almost 2 years and had been reviewed by many



parties, like the appointed and approved actuaries, the Monetary Authority of Singapore and the insurance industry bodies.

At the moment, the guidance provided within these notes is fairly broad, but the SAS hopes to provide its members with more specific assistance in carrying out their duties in the future. At least one more Guidance Note is in the pipeline.

*Chi Cheng Hock*

## Actuarial Websites

The following is a list of actuarial-related websites that may provide useful information for both actuaries and students:

[www.actuaries.org.my](http://www.actuaries.org.my) ~ Actuarial Society of Malaysia homepage

[www.actuaries.org](http://www.actuaries.org) ~ International Actuarial Association

[www.actuaries.org.uk](http://www.actuaries.org.uk) ~ Institute and Faculty of Actuaries, United Kingdom

[www.soa.org](http://www.soa.org) ~ Society of Actuaries, United States of America

[www.casact.org](http://www.casact.org) ~ Casualty Actuarial Society, United States of America

[www.actuaries.asn.au](http://www.actuaries.asn.au) ~ Institute of Actuaries, Australia

[www.actuaries.ca](http://www.actuaries.ca) ~ Canadian Institute of Actuaries

[www.beanactuary.org](http://www.beanactuary.org) ~ "Be An Actuary" – Information for students interested in actuarial science career

[www.actuaries.org.sg](http://www.actuaries.org.sg) ~ Singapore Actuarial Society

[www.actuaries.org.hk](http://www.actuaries.org.hk) ~ Actuarial Society of Hong Kong

[www.actuary.net](http://www.actuary.net) ~ A comprehensive list of actuarial-related news compiled daily from around the world

[www.actuary.ca](http://www.actuary.ca) ~ A buzzing and lively actuarial Discussion Forum

[www.the-actuary.org.uk](http://www.the-actuary.org.uk) ~ "The Actuary" online magazine, published by the Institute and Faculty of Actuaries, UK

[www.dwsimpson.com/salary.html](http://www.dwsimpson.com/salary.html) ~ A credible US-wide actuarial salary survey

## Focus

## Financing retirement benefits

### Why an actuarial valuation of your retirement plan is required

*Appeared in Accountants Today Magazine, January/February 2004 and Watson Wyatt Bulletin March 2003*

The Malaysian Accounting Standards Board (MASB) issued accounting standards for retirement plans in a news release on 1 July 2002. Two accounting standards relating to retirement plans were mentioned - MASB29 "Employee Benefits" and MASB30 "Accounting and Reporting by Retirement Benefit Plans", fairly similar to International Accounting Standards 19 and 26 respectively.

The following discusses why some funding (valuation) methods used by companies may not comply with MASB nor are they good methods of funding retirement benefits.

#### Background: Structure of retirement plans in Malaysia

There are essentially two types of retirement plan. A Defined Contribution plan (also called "Provident Fund" or "Accumulation Plan") operates like a bank account where contributions are pre-determined (e.g. 4% of salary) and the account balance is credited with interest. Statutory contributions to EPF are an example of a Defined Contribution plan. A Defined Benefit plan (also called "pension plan" or "promise") offers a benefit that is pre-determined and usually a function of salary and service (e.g. 1 x last drawn monthly salary x service). An example of a Defined Benefit plan is as follows:

Accrued benefit	– 1 x last drawn monthly salary x service
On retirement/death	– accrued benefit
On resignation	– y% x accrued benefit (where y% is the vesting percentage)
	where y% is
	0% for < 5 years of service,
	25% for 5 to 10 years of service,
	50% after 10 years of service.
Definition of "vesting"	– the minimum service required to be completed by an employee before they are entitled to benefits.

A Hybrid plan is a variant of a Defined Benefit plan. Hybrid plans in Malaysia are usually integrated with the EPF. This means that the amount of Defined Benefit is reduced by the total amount the employer contributed to the EPF either with/without interest (e.g. 2 x last drawn monthly salary minus EPF account balance owing to employer contributions).

#### The issue

The amount and timing of payments from Defined Benefit plans are uncertain. Any recommended contribution rate is an estimate, depending on salary increases, rate of resignations and deaths of the individual company.

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Financing retirement benefits - Why an actuarial valuation of your retirement plan is required *continued*

Under Defined Contribution plans, the cost is usually taken as the contributions paid. This is not correct technically unless the contribution rate is fixed for the rest of an employee's career and the benefit is fully vested from day one. There are in practice, relatively few complex Defined Contribution plans. Hence for the remainder we will focus on Defined Benefit plans.

How then do companies finance the cost of Defined Benefit plans?

### Funding retirement plans

The concept of financing a Defined Benefit plan is not so different from an insurance contract. In an insurance contract the policyholder pays a constant premium in anticipation of lump payment, on death or perhaps on maturity of the policy. In a Defined Benefit plan, future contributions by the employer are accumulated to pay benefits to the employees.

A funding method is a way of systematically meeting the cost of benefits. It relates to the way assets are built up. How quickly assets are built up (pace of funding) will depend on the different funding methods used. Ideally, at any point in time in the future there will be significant assets to meet benefit payments as and when they become due for payment.

### Methods used by finance managers to fund (value) retirement plan liabilities

#### 1. Target Funding

A common funding method used by financial managers or accountants to estimate the adequacy of the provision for funding retirement benefits is the Target Funding approach. The "Target" is usually either the Vested Benefits or Accrued Benefits. The contribution amount is then the difference between the Assets and the Vested Benefits/Accrued Benefits. The advantage of this method is that it is simple to calculate and has intuitive appeal.

##### i) Vested Benefit

The Vested Benefit is a measure of solvency. If everyone resigned voluntarily at the valuation date and received their resignation benefits, the total would be the Vested Benefit. The Vested Benefit is calculated by reference to the salary and service at the valuation date. Vested Benefits do not account for any contingent liabilities that are building up if members retire or die.

Vested Benefits are sensitive to membership changes and the date of valuation. Suppose a plan provides significantly greater benefits on retirement than resignation. It could be that there are a large number of members turning age 55 soon after the valuation date and the amount funded was only vested benefits. The financial position of the fund will show a dramatic decline and the provisions for the following year would be significant. The company may also face liquidity problems in having to raise cash to pay retirement benefits.

A feature of assessing the provisions under this method is that the annual expense gradually increases as the employee approaches retirement age. This means future shareholders are gradually paying more

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## Focus

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Financing retirement benefits - Why an actuarial valuation of your retirement plan is required *continued*

and more each year. This is not consistent with the principle of spreading the cost of the benefit as it is earned.

### ii) Accrued Benefit

The Accrued Benefit is the benefit a member expects to receive on retirement. The Accrued Benefit does not account for the likelihood of leaving before retirement age. As such, the amount of assets provided for all the Accrued Benefits may be excessive. Companies can make better use of the surplus funds by investing in the company.

This is a common method used by finance managers to determine the provisions for retirement benefits because it tends to give an apparently prudent high level of provisions. A feature of this type of funding is that the annual expense gradually falls each year as provisions are released because Accrued Benefits are not paid in full. Again this is not consistent with fair accounting practices.

Both Vested Benefits and Accrued Benefits are short-term solvency indicators. Neither are relevant to a Company's financial status as the fund is a "going concern". They are, however, good indicators of a member's security should the fund be required to pay out all leaving service or retirement benefits at the valuation date.

### 2. Pay-as-you-go

As the name implies, benefits are paid out as and when members leave. No provisions are made for funding past nor future benefits. The liabilities will be taken as nil.

There are a number of disadvantages associated with this method. Large payments will be required when someone leaves, especially for a small plan. There may be liquidity problems especially when there is a retrenchment programme or when a long serving, highly paid member of a small fund retires. Moreover, the annual expense is irregular, being equal to whatever is paid in benefits each year.

## Actuarial methods to fund (value) retirement plan liabilities

### 1. Actuarial value of accrued benefits for security purposes

An actuarial valuation of accrued benefits looks at the business on a going concern basis. Account is taken of the fact the employees may resign before retirement, indeed they may die or become so ill they cannot work. It also accounts for future salary increases. An assessment of the likely future cash flow by way of future benefits is made and these are discounted back to the valuation date to give a present value.

For security purposes, the valuation assumptions for future turnover, salary inflation and discount rates tend to be set with a degree of prudence. Consequently, provisions and expenses may be on the high side. However, such overprovisions will usually revert to the company if indeed experience in the future is more favourable. In any event, the overprovisions should not be anywhere near as high as under Target Funding by reference to Accrued Benefits.

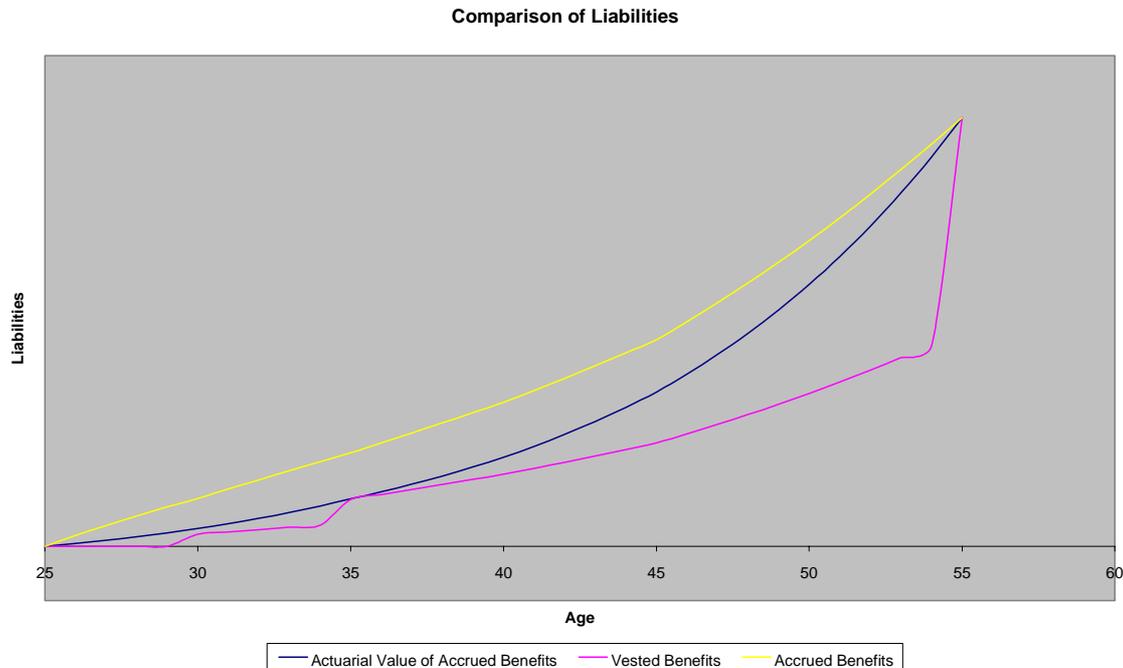
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**Focus**

Financing retirement benefits - Why an actuarial valuation of your retirement plan is required *continued*

2. Actuarial valuation for accounting purposes

For accounting purposes, the valuation reflects the accounting principles of recognising the cost of benefits in the period in which it is earned. Moreover, the prudence above is to be avoided. The actuary



is required to make best estimates of the assumptions. Accounting standards generally aim to promote fairness, consistency and comparability in financial reporting.

*Above a graph of the development of the liabilities under the different funding mechanism for a 25-year-old new employee.*

The above demonstrates that eventually the amount of funding should deliver the benefit payable to the employee on retirement. However, it will be noted that the journey to the desired funds could be different.

**Types of valuation**

Summary of the 3 main types of valuation. A scheme may reasonably use different valuation methods for different purposes.

Discontinuance valuation	This assesses how secure members' accrued benefits would be if all members resigned or retired or if the scheme were to be terminated.
Funding valuation	The primary purpose would be to determine what contributions should be paid in the future to secure member benefits.
Accounting valuation	The purpose is to produce accounting figures for disclosure in the company's accounts

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Financing retirement benefits - Why an actuarial valuation of your retirement plan is required *continued*

### A brief mention of MASB29 and MASB30

The objective of MASB29 Employee Benefits is to "prescribe the accounting and disclosure for employee benefits". The premise is that when the company consumes the economic benefit arising from the service provided by an employee for benefits, an expense must be recognised in relation to that period. The types of benefits covered include short and long term benefits and those include retirement plans. MASB29 provides a fairly prescriptive approach on how retirement liabilities and expenses are valued. The liabilities should reflect accurately the financial position of the plan at the valuation date.

MASB30 governs the reporting of retirement benefit plans. Items the company will need to disclose include

- general description of the plan
- summary of accounting policies
- analysis of liabilities recognised in the balance sheet
- reconciliation of the movement of net liabilities/assets during the year
- total expenses recognised in the income statement broken down by the items listed in MASB30
- accounting policies adopted
- principal actuarial assumptions used

The effective date for compliance of both standards is from 1 January 2003.

*By Puah Ser Sze*

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## General Insurance Actuarial Profession



It was about a year and a half ago when I came back from the US to Malaysia without a clue of what I will end up doing with a degree in Actuarial Science and a few years' working experience in the general insurance (GI) industry. Some of my friends claimed that I was jeopardizing my career as most, if not all, insurance companies in Malaysia are only hiring life insurance actuarial professionals at that

time. Consulting was my other option, but after several years working as a consultant, I gathered it was time for a change.

I was considered lucky not to have to try too long, even though I was not complaining after being away from home many years. My current company decided to have its own in-house actuarial professional for its general division. Although I was relieved, skepticism was flying my way from all directions with remarks being thrown to me such as, "Are you sure? All you will be doing is Incurred But Not Reported (IBNR) reports", "They might have you do more marketing and sales work than actuarial analysis",

"Are you sure you will be working on GI or life insurance?" – and the list goes on.

Perhaps such are the perceptions that people have about being a GI actuarial professional which has resulted in a stagnant growth in the GI actuarial profession locally. But was there any truth in what I was being told regarding the GI actuarial profession in Malaysia? Allow me to share my thoughts on this:

One of the main responsibilities of a GI actuarial professional is the loss reserve analysis, or better known as the IBNR reserve analysis. IBNR reserves are the reserves for unknown claims,

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## Focus

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### General Insurance Actuarial Profession *continued*

which are claims that have incurred but not reported and claims that have been reported but not recorded. However, in practice, an IBNR reserve also includes future development on known claims and provision for reopened claims. Many methodologies were developed to estimate the IBNR reserves of a company and these methods can be grouped into two categories, aggregate methods and structural methods. The applicability of these methods depends on what data is available, whether or not there are changes in claim handling processes, and other external factors. Although the current guidelines set forth by Bank Negara Malaysia (BNM) require the insurance companies to use certain methodologies, there is no reason why insurance companies should limit themselves to only these few. There is no one best method to estimate the reserves, and therefore, actuarial judgment is crucial in determining the final reserve amount.

The GI actuarial professional's knowledge in ratemaking is also important to an insurance company. When I first started with my current company, many people in the actuarial field asked me why I would need to perform ratemaking analysis since the motor and fire insurance rates are tariffed in Malaysia. Well, ratemaking does not only provide the insurance

companies the rating factors to be charged for an insurance product, but also indications on how to improve underwriting results. For example, when an insurance company cannot change the premium rates on motor insurance, the other way to improve profitability is to sell its motor insurance to people that are less likely to report a claim. In the US, data mining has become more and more popular among insurance companies to improve their loss ratios and identify unprofitable areas in their portfolios. Some have even used data mining to identify fraud.

The rising cost in medical fees has caused many insurance companies to go on the red in their medical insurance portfolio and has even forced some to stop writing medical insurance altogether. BNM has taken a step forward to improve the situation by requiring insurance companies to submit an Actuarial Certification on their health and surgical insurance products. This has indirectly opened the door for more GI actuarial professionals in Malaysia. Medical fees will continue to rise, but whether or not an insurance company begins to turn profitable in its medical insurance portfolio could very much depend on the GI actuarial professionals.

A GI actuarial professional can also be called upon to evaluate a

company's reinsurance agreement. Many insurance companies rely only on third party when it comes to reinsurance and might face the possibility of paying a high reinsurance premium, especially on very profitable business. Therefore, a GI actuarial professional, who is acting in the interest of the company, would be able to determine whether or not the premium paid is reasonable.

Although the demand for GI actuarial professionals is gradually increasing in Malaysia, many people (especially fresh graduates) are still not exposed to it. Even at university level, local and overseas, students are exposed to life actuarial courses only. Therefore, it is only left to the students themselves to find out about the actuarial profession on the GI side. I was delighted to see that there were three people, including myself, sitting for a Casualty Actuarial Society paper at the recent examinations, even though there were more than 10 others in the same room taking a Society of Actuaries paper. It shows that companies are beginning to emphasize the importance of having GI actuarial professionals in their companies, and I am definitely not alone.

*By Leong Joe Yee*

## Interviews

*Interviews by Puah Ser Sze*

Bank Negara announced earlier this year that insurers are allowed to invest 5% overseas. We interviewed one Chief Investment Officer and one Appointed Actuary to get their views on this issue.

**Mr Bas van Buuren**  
**Chief Investment Officer of ING Insurance**  
**Malaysia Berhad**

*Bas van Buuren is new to the role and has been in Malaysia for 3 weeks (at the time of the interview). Welcome to Malaysia, Mr Bas van Buuren!*



**Q** Have you started investing overseas? If so, which markets have you ventured into?

**A** No, we have not.

**Q** Have you changed your asset allocation since the announcement? Please describe.

**A** No.

**Q** What processes have you got in place to invest overseas?

**A** This is the most important and most interesting issue. ING Investment Management has a global network of investment professionals that enables ING to venture offshore to tap into their knowledge and expertise all over the region and all over the world. We have investment centres in Hong Kong, The Hague in Netherlands and Atlanta in the US. The investment will most likely flow into one of the 3 headquarters. We will have to first sort out possible regulation and thoughts on the market. For equities, we will decide on the global and regional and then developed and developing allocation; the same is pertinent to investing in Fixed Income as well. Our strategy will be to look at global lower rate credits, high yield markets, emerging markets, and mortgage-backed securities in the US. Opportunities will be taken, provided we get regulatory approval. Possible exemptions and how these exemptions are granted will be explored.

**Q** Any other issues/comments such as limitations, liability matching, etc

**A** The limitations will be regulatory. There are no limitations from an internal perspective. We have experience with capital markets. Liability matching would be possible through our existent holdings in the Malaysian market. Investing overseas would enhance liability matching. The liability duration is long and cash flows are interest-sensitive. Long-dated bonds are available overseas.

**An Appointed Actuary of an Insurer.**

**Q** Have you started investing overseas? If so, which markets have you ventured into?

**A** Yes we have. Overseas markets include US and Europe.

**Q** Have you changed your asset allocation since the announcement? Please describe.

**A** We have changed our allocation for equities to allow overseas investment but the percentage remains small and is subject to the investment committee's approval. We have also allocated up to 5% to be invested for our unit-linked products in overseas markets.

**Q** What processes have you got in place to invest overseas?

**A** We are using an external fund manager to handle the overseas equity placements. These will feed into larger funds.

**Q** Any other issues/comments such as limitations, liability matching, etc

**A** For asset liability matching, we are already mismatched and even though we can increase our equity allocation, we are still subject to risk management constraints. Investing a small portion overseas will not change the mismatch for us.

## Education

# Bachelor of Actuarial Science at Universiti Malaya



University Malaya will be introducing a new Bachelor of Science degree in Actuarial Mathematics and Finance for the intake of 2005/2006. The degree programme will take 4 years to complete. The syllabus covered will be modelled around the SOA syllabus. A comparison of the subjects taught in the programme with SOA subjects is given below:

The Society of Actuaries, USA (2003)		Institute of Mathematical Sciences, BSc Actuarial and Financial Mathematics	
Course 1	Calculus and probability	SJES1215 SJES1221 SJES1222 SJES1250 SJES2250	Linear Algebra I Calculus I Calculus II Introductory Probability Probability and Statistics I
Course 2	Interest Theory  Finance Microeconomics Macroeconomics	SJES2361  SJES2369 SJES2367 SJES2368	Introductory Financial Mathematics Introduction to Accounting Microeconomics(*) Macroeconomics(*)
Course 3	Life Contingency  Risk Theory Stochastic Processes	SJES2466 SJES3466 SJES3465 SJES2450 SJES3450 SJES3459	Introductory Life Contingency Further Life Contingency Introductory Risk Theory(**) Stochastic Processes Applied Stochastic Processes Life Insurance & Takaful(*)
Course 4	Statistical Methods  Regression Survival Models Time Series Credibility Theory Simulation	SJES2251 SJES3455 SJES2463 SJES3456 SJES3457 SJES3458 SJES3453	Probability and Statistics II Further Mathematical Statistics Regression Analysis Introductory Survival Analysis(**) Introductory Time Series(**) Credibility & Ruin Theory(*) Monte Carlo Simulation Methods
Course 5	Introduction to Property and Casualty Insurance and Ratemaking	SJES3470	Introduction to Property and Casualty  Insurance and Ratemaking (*)
Course 6	Reserving, Accounting Principles, and Reinsurance	SJES3472	Reserving, accounting and reinsurance for Casualty and Property Insurance (*)
Course 7	Nation-Specific Examination: Annual Statement Taxation, and Regulation	SJES3473	Group presentation on selected topics in actuarial science and finance(*)
Course 8	Investments and Financial Analysis	SJES3467 SJES3468	Investment and Financial Analysis 1 (*) Investment and Financial Analysis 2 (*)
		SJES3489 SJES3491	Projek Sains Matematik Latihan Industri

\* New course    \*\* Course contents are similar to those of the corresponding course in MSc (Statistics)

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## Education

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### Bachelor of Actuarial Science at Universiti Malaya *continued*

University Malaya is also currently looking for part time lecturers/ consultants to teach the more advanced actuarial subjects above. Courses can be taught on weekday evenings or Saturdays. The university is hopeful that qualified actuaries or those with MSc. degree will be interested in teaching these courses. Please contact Mr. Khoo Poh Beng [pbkhoo@um.edu.my](mailto:pbkhoo@um.edu.my) or Professor Dr. Pooi Ah Hin [ahpooi@um.edu.my](mailto:ahpooi@um.edu.my) for further information.

*Khoo Poh Beng*

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## Bachelor of Actuarial Science at Universiti Kebangsaan Malaysia

**T**he Bachelor of Actuarial Science program at Universiti Kebangsaan Malaysia (UKM) began in 1988 with 10 third year students who were chosen from the Faculty of Mathematical and Computer Science. This was initially a four-year program that was streamlined into a three-year program in 1998 under the directives of the Malaysian Education Ministry for all local undergraduate programs. At present, we have about 60 students in each of the first, second and third year undergraduate classes. Our program is designed to not only produce actuarial graduates for the actuarial departments of the insurance industry but to also produce graduates who can apply their quantitative skills in other financial industries. As such, in addition to the core actuarial subjects, students are required to take courses in economics, basic finance, accounting, and investments offered by our own faculty and also from the Faculty of Economics and Business

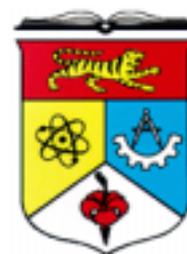
Administration. Since 1990, approximately 330 students have graduated with the Bachelor of Actuarial Science degree from UKM.

The Bachelor of Actuarial Science program initially commenced with only 2 lecturers in 1988 and this figure has gradually increased to the current 8 lecturers and 2 tutors. We have also obtained the services of Mr Jefferey Zain, FSA to be our Principal Fellow. In between these years (1988-2004) we have lost 3 lecturers to the private sector which has always managed to provide a more attractive and lucrative salary and benefits scheme. Due to the rapid changes in actuarial curriculum and in the financial mathematics / risk management field, we are likewise constantly changing and modifying our syllabus. This will provide a more comprehensive program for our graduates to have equal footing and hopefully a more competitive edge over their peers from other local and foreign universities.

UKM has in recent years undergone major structural changes to its academic administration with the merging of two or more related faculties into one bigger faculty. The actuarial program in UKM is similarly affected and our faculty has merged with four other science faculties to become the Faculty of Science and Technology with 5 academic centers. Our actuarial program is currently headed by Associate Professor Dr. Zaidi bin Isa and is under the umbrella of the Center for Mathematical Science Studies. We welcome practitioners especially from the Actuarial Society of Malaysia to deliver talks and give seminars for our students to be kept up-to-date with developments in the insurance and financial sectors.

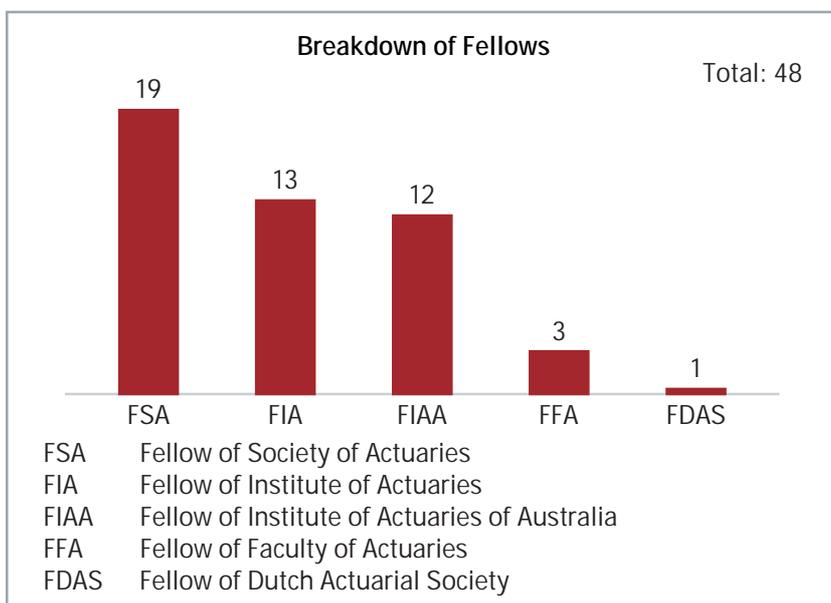
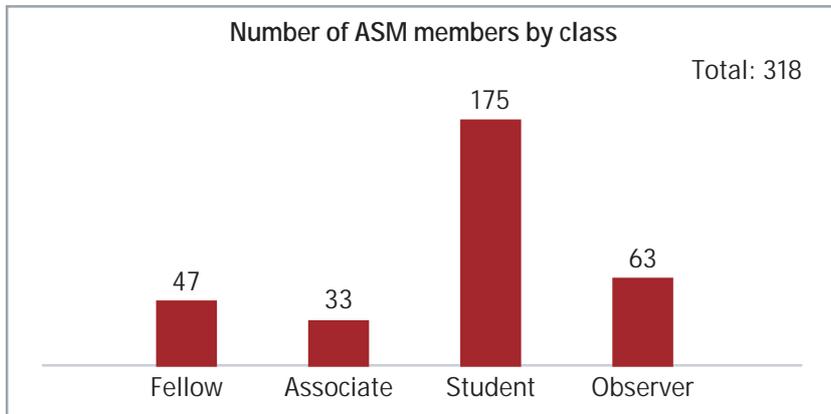
More news and information on our program can be found at our website: [www.ukm.my/psa](http://www.ukm.my/psa)

*Abdul Malek Zakaria,  
Universiti Kebangsaan Malaysia*



ASM Updates

Statistics of ASM Members



Education Sub-Committee

This sub-committee term was a short one. We focused on 2 main areas – conducting exam technique seminars in preparation for the actuarial exams and setting a voluntary marking scheme for mock exams.

In September, an exam technique seminar was held for students sitting for the Australian and UK exams. The seminar-cum-workshop went well with 14 students attending. The mood was strangely jovial as participants and speakers shared their experience – some serious, some seriously comical. Anusha concentrated on the final study week’s preparations and psyche on the exam day, while Boon Teik took us through what it takes to persevere and pass the exams quickly. The later workshop was split into two groups concentrating on the popular exams – Life (moderated by Teh Loo Hai) & Investment (by Yap Chee Keong). A few exam questions were broken down and analysed in those sessions. Students went away with some practical pointers, and ultimately gain a higher confidence level to take on the exams.

Although we had lined up a few FSAs to do something similar for the US SoA exams in October, the plan fell through as sadly no SoA student indicated an interest when a mailer was sent out in late September.

We have also lined up a few Fellows (some ex-examiners) who have volunteered to mark mock exam papers. Interested students can contact me so that I can put

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## ASM Updates

### Education Sub-Committee *continued*

you in touch with a suitable marker. In the past session, two fellowship students took up this "service" and gained a lot of practical advice (I hope!). It takes a lot of time and effort from the part of the marker so this service is a valuable one which students should take up while it's still free.

Finally, on an administrative level, we have submitted an appeal to the UK Institute to reconsider their revised fees on discounted

terms. The appeal was acknowledged but the result is still pending.

### Members

Aiza Yasmin Benyamin of Mercer (Chairperson)  
Jefferey Zain  
Joanne Law of Mercer  
Loke Chang Yueh of AIA  
Loo Boon Teik of Prudential  
Wan Saifulrizal of BNM

## Actuarial Jokes

An actuary is in a bar when a woman asks for his phone number. He stops to think for a moment and then replies, "I'm sorry, I've seen so many numbers today. I just can't remember the exact number, but I can probably estimate it to within a 90% confidence level."

**Q** What is the difference between an actuary and an actuary for the mob?  
**A** The actuary knows how many people will die each year, while the actuary for the mob knows their names too.

The classic party misunderstanding:  
- "What do you do for a living?"  
- "I'm an actor"  
- "Really! Have you valued any pension funds that I may have heard of?"

An actuary's wife had a cat that continually annoyed him. In the middle of the night, the actuary got up and took the cat to a nearby lake. There he took a boat to the deepest part of the lake and put the cat in a bag filled with rocks. He securely closed the bag and threw it overboard. The next day his wife was quite distraught at the cat's disappearance. To show his concern, the actuary called the local newspaper to place a lost cat ad. For return of the cat a RM100,000 reward was offered. When questioned about the size of the

reward the actuary stated "when you are confident of your contingencies, you can be liberal with your benefits".

As luck would have it an underwriter lived next door to an actuary. The underwriter was getting sick and tired of loaning out the many personal belongings that the actuary frequently asked to borrow. After all, the actuary should have been able to afford these items for his own.

One day the underwriter saw the neighbor actuary approach. Planning on tricking the actuary, the underwriter decided to deny whatever request the actuary made.  
Actuary: "Are you going to be using your power-saw today?"  
Underwriter: "Sorry, I actually have a lot of wood to cut with my saw and I will be using it all day."  
Actuary: "That's okay. So I can borrow your golf clubs then, right?"

Three actuaries go for lunch at a busy restaurant. The waiter hands them a bill for RM56.40 at the edge of the table and then momentarily attends to the table next to theirs. When the waiter returns, how much does he find to pay the bill?  
Answer: Zero. Actuaries always round to the nearest ten million.

**Q** How many actuaries does it take to screw in a light bulb?

**A** What the heck is a light bulb; that wasn't on any of my exam syllabus!

Some insurance company officers are taking a walk in the woods. Following a path, they come upon a dead bird. The actuary bends down, examines the bird carefully, and says: "I think we may be able to determine how this bird died." The agent says: "It makes no difference how it died—it wasn't MY fault." The accountant says: "Not another dead bird! How are we going to bury THIS one?" The auditor carefully notes exactly what kind of dead bird it is, and looks around for more. The claims manager says, "Oh, this kind of dead bird is never going to happen again." And the product manager says: "This bird isn't dead! I swear, it's going to start flying around any minute now!"

### Editorial Team

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The ASM Newsletter is published three times a year, and is available on the internet at the ASM website [www.actuaries.org.my](http://www.actuaries.org.my). 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 address:  
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