

## Hail the actuary!

Firstly it is a major feat for actuaries that the EAAC is the first East Asian grouping within the insurance sector to dare go annual! Congratulations all round that the time has come for actuaries to be the leaders of the trend.

This move is symptomatic of what is happening across the whole insurance industry where numbers, models, and actual claims set the direction and tone of the industry. Actuaries are in the hot seat and in great demand.

At a recent roundtable, a global CEO of a leading insurance company confess that he was nonplussed by the pricing models of several insurers offering cyber liability protection. What is the pricing model? Why was it confusing to an inside insurance expert leave alone the buying public or corporate? Was it because it was a new product with no past experiences for meaningful actuarial inputs? Can actuaries project the future without past inputs? Which leads us to the basic question of an actuary's role in product innovation in insurance? Is it fair to expect them to lead the pack?

### The ideal actuary

What should be the ideal role for an actuary in the industry and within the insurance company, aside from the obvious in-built "whistle-blower" role?

Actuaries have come a very long way in just the past 10 years and doubly longer in the past decades. And in line with it, the appreciation of the role and importance of actuaries in the business has also catapulted. Though gone are the days of the naïve past where many experimented with forcing actuaries to be CEOs, there are now actuaries who are natural thinkers, business leaders and orators. Just look around the room and at the list of delegates at this event.

With the tide moving towards risk-based capital and internal models, and enterprise risk management and compliance issues, demand for actuaries in the life and pensions business has surged phenomenally. And actuaries are never over-paid as there are numbers to back it all up.

It is salutary to see that the profession has held its reputation high without lowering actuarial qualifications any bit to get the numbers.

This is where the real power of actuaries come from, their "proper academic breeding" tedious and long though the demands are. A tribute the industry must hang fast to! Cheapen it and every passing mathematical hobbyist can be a transatlantic actuary on demand.

### Extending reach

Having strung the violin or tooted the numbers horn for actuaries, it is fair to note on balance that actuaries still need to improve their lobbying and marketing skills. Sure, the basic marketing precept is that as you have more demand than you can cope with, there is no point marketing. But enlightened marketing will mean that you continue to market the wider dynamics of the profession; its reach

into pricing of products in the non-life markets where take off is still so low. Actuaries naturally seem to align with the life boys, but the general business needs you too, urgently and badly.

A lot of what is touted as big data is really plain bread and butter to actuaries. So your day has come!

We look forward to the trumpeting of the ideal actuary – an analytical orator who has the necessary technical expertise and eloquence to communicate what that technical expertise means to decision makers.



## Welcome to Taipei!

On behalf of the 18th EAAC Organising Committee, I am most honoured to extend a warm welcome to your participation in the 2014 conference in Taipei.

The theme of this year's conference – "Risk, Challenges and Opportunities" – is apt given that with the boom of the Asia market, the EAAC will be held annually starting this year compared to every other year previously.

The 18th EAAC offers a platform for speakers to share their views on the theme from various actuarial areas including life insurance, general insurance, health insurance, risk management, pensions and social security, with a focus on the Asian markets.

We are very privileged to have with us very distinguished speakers. Two plenary sessions and 48 parallel sessions for the conference have been scheduled to facilitate mutual learning and exchange of ideas and information.

We have also planned a wonderful array of social events, and you will not want to miss the Farewell Dinner, which will be an evening of elegance with superb food, fine wine and exceptional entertainment.

I hope you will find your stay in Taipei to be a most memorable and rewarding one.

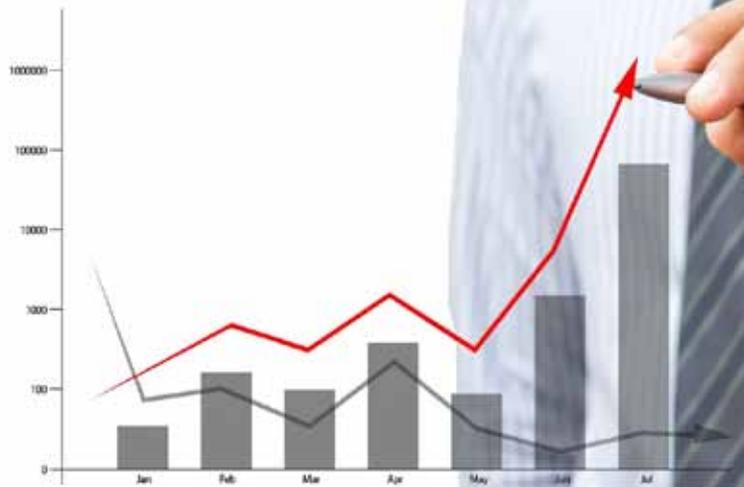
Ms Ruth Chu, Chairperson, 18th EAAC Organising Committee



# About EAAC

The EAAC constitution was formalised in 1989 with the following objectives:

- ❖ To exchange ideas and information on all kinds of actuarial knowledge.
- ❖ To discuss subjects of mutual interest relating to actuarial theory and practice with particular application to East Asia economic and regulatory conditions.
- ❖ To promote the actuarial profession within the East Asian region and to discuss standards of competence and conduct within the actuarial profession.
- ❖ To work towards the establishment of a data base of information of interest to actuaries so that interested parties may refer to such data base.
- ❖ To hold meetings and discussions, publish papers, reports and studies, make or sponsor investigations, promote educational activities, and to undertake such other activities as may be decided by the Executive Board.
- ❖ To maintain contact with other actuarial and professional organisations and interested individuals or organisations.



## Recap of EAAC 2013

# Actuaries urged to be enablers of growth

One of the key themes emanating from last year's East Asian Actuarial Conference in Singapore was for actuaries to contribute more in driving business strategy and growth.

In today's rapidly evolving business environment where capital and risk management are an integral part of business planning, there's a window of opportunity for actuaries to expand their role beyond traditional functions and help organisations steer through the challenging business environment.

Insurance executives encouraged actuaries to become futurists and more forward-looking, and to identify the changing nature of risk and what it ultimately means to the company.

They added that as actuaries strive to shape not just product pricing but also business strategies, they would need to understand the sales aspect of the business and what drives consumers to purchase. Hence, actuaries must have the ability to work effectively with people from different functional areas, manage multiple stakeholders and help drive behaviour changes within an organisation.

There was also a call for the further development and adoption of the highest professional standards that would guide the conduct and dealings of actuaries as they undertake this expanded role.

But while actuaries are encouraged to be "pro-business", they



must never waver in managing risks effectively in compliance with regulatory standards. Hence, actuaries need to find a balance between being gatekeepers of risk and also enablers of growth.

In all of this, actuaries were urged to be pro-active and have the confidence to build upon the ideas of management in taking calculated risks, or suggest alternative approaches to achieve a desired outcome.



# Life and health in Asia: Shaping the Big Bang



The potential for the continued expansion of the life and health insurance markets in Asia is ever present. **Mr Thierry Léger**, Head Life & Health Products of **Swiss Re**, explains the importance of building trust to shape this Big Bang.

**S**ome of the most exciting and promising developments are taking place in the life and health insurance markets of the Asian high growth economies, especially Southeast Asia. The numbers alone for this market tell a fantastic story.

Asia now accounts for about 35% of the global life market premium. Life premium increased 10-fold in emerging Asian markets alone in the first decade of this century - from about US\$24 billion to \$236 billion.

Swiss Re's sigma data show that life and health insurance premium growth for 2013 was around 3.9% - or about \$15 billion in additional premiums.

## What's working in our favour?

Life insurance is naturally tied to the growing economies. Expanding GDP, job creation and increasing personal wealth means that people have more to protect.

China has been the big driver of economic expansion for a long time. Elsewhere, emerging Asian markets are also very promising. The long-term average growth rate of around 8-9% for the last decade has spawned the rise of a middle class with purchasing power in countries like Vietnam, Indonesia and Malaysia.

## Do we know the Asian consumer?

The data is very encouraging - but at the end of the day, it is individuals who need insurance cover.

If we are to continue to build strong protection systems, our challenge is to make sure people understand the value of life and health insurance products.

The research we have available on the Asian customer is fascinating - especially when it comes to cross cultural comparisons within Asia, and between Asia and other markets.

For example, in 2013, we set out to learn more about how people feel about providing long-term care for elderly relatives. We asked about 22,000 people around the world what their preference would be to look after an elderly relative. The options were: quit work and provide the care; support state care; pay for the care; or take out an insurance solution.

The results clearly showed markets do not always conform to

preconceptions. For example, the UK scored highest when it came to quitting work and providing the care themselves, with 30% of respondents choosing that option. In urban China, only 11% preferred this option, while 30% would rather pay for care from a third party.

The reasons behind these differences are open to speculation. Is there a lack of trust in the UK's public health system? Do urban Chinese respondents have more trust in the ability of third party providers to deliver care solutions?

## Lack of trust

Trust is the key factor and a particularly essential part of the life insurance purchase.

There have been many recent studies of consumer mind set toward insurers. Late last year, Swiss Re looked at results that showed that the main reasons people in the Asia Pacific region do not buy life insurance is that they feel they do not have the extra money, or that life insurance is too expensive. Other studies have shown significant numbers who cite lack of trust as a reason for not buying.

## Making it relevant

So how can we keep the ball rolling? The answer lies in making sure people understand the fundamental value of life insurance and the relevance to their own lives.

Let's take the example of health insurance. Back in 2010, it was not possible for a large number of cancer patients in China to gain access to the treatments they needed for certain types of lung cancers, because the medication was simply far too expensive.

Our solution was to partner with five local insurers and medicine manufacturers to provide an insurance solution to make the insurance available - this in turn made the medication accessible.

We were able to make the insurance available to about 25 million people in China. This is just one flagship example. But I really believe this is the way to go and make sure our industry can fulfil its full role on the stage which has been set in Asia.

Insurance is clearly fulfilling a need and improving society. It's all about trust, partnership, and a clear consumer benefit.



# Yesterday once more

It was a cool autumn night as delegates gathered for the welcome reception of the 18th East Asian Actuarial Conference. Delegates had the chance to catch up with one another over scrumptious bites and fine wine, along with a glimpse of traditional folk culture. It seemed like only yesterday when they last parted ways.



### 3rd Asia Insurance CIO Technology Summit 2014

Theme: "The Innovative Insurance CIO – Opportunities in Disruptors and Enablers in the Digital Age"  
20-21 November 2014, Singapore



### 3rd Asia Investment Management Summit for Insurance

Theme: "Investment Strategies for Insurers In a Rising Interest Rate Environment"  
24-25 November 2014, Singapore



### 8th India Rendezvous

Theme: "The Dynamics of Regional Reinsurance – A SAARC Perspective"  
21-23 January 2015, Mumbai, India



### 3rd Asia Insurance Brokers' Summit 2015

Theme: "Optimising the Role of Brokers in the Insurance Value Chain"  
3-4 Mar 2015, Kuala Lumpur, Malaysia



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