

# International News

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# International News

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To join the section, SOA members and non-members  
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## Editor's Note

By Carl Hansen

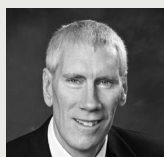
Welcome to the first *International News* issue of 2014. I hope that the year is off to a good start for everyone. For Chinese readers, there is still time to wish 新年快乐. I hope that the Year of the Horse brings you good luck!

Welcome to the three new International Section Council members—Anna Dyck, Wendy Liang, and Lindsay Neu. We introduce readers to each of them starting on page 4. Thank you to the outgoing Council members—Theodoros Iaponas, Ben Marshall, and Lina Xu—for your contributions on behalf of the section over the last three years. Sunil Sen will be serving as chairperson of the Section Council this year. You can read about some of the plans for this year in his “Chairperson’s Corner” on page 3.

We have three more excellent entries from the 2013 Country Feature Competition in this issue. I suggest that potential authors start planning for the 2014 competition, as the deadline will come quickly following the many work requirements early in the year. More information is given on page 23.

Jill Hoffman gives us a flavor for the recent East Asian Actuarial Conference in Singapore on page 17. Vincent Xuan reports on International Section activities at the SOA Annual Meeting on page 21. Please let the editorial staff or the Section Council know if there is a local or regional conference that you would like to advertise or report on in *International News*.

Finally, there is still time to register for the International Congress of Actuaries in Washington, DC. Once every four years, this event draws actuaries from all over the world to compare and contrast both local and global developments. The Congress features thought provoking presentations and stimulating discussions, along with the opportunity to meet other actuaries in relaxed social settings. You can see page 16 or visit <http://www.ica2014.org/> for more information. □



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## Chairperson's Corner

By Sunil Sen

**W**hat an exciting period to be involved in our profession internationally! Within the SOA, over 35 percent of current candidates take exams outside of North America and more than half of our candidates are of a foreign nationality. The International Section's mission is to not only facilitate educational and networking opportunities for our colleagues abroad, but also to create a mechanism for North American professionals to be connected globally. Historically, we have worked towards this goal by establishing a network of SOA ambassadors in more than 40 countries, working in hand with Actuaries Without Borders (AWB) to assist the actuarial community in emerging countries, and creating educational and networking events worldwide. Looking forward to 2014, we intend to expand our volunteer opportunities for our local actuaries in order to broaden our services to our membership overseas.

During the International Breakfast Session in San Diego, we had the opportunity to discuss potential initiatives with our membership and hear what direction you think we should take. One of the most interesting ideas we heard from several groups was to facilitate a mentoring service in which actuaries and students abroad would be paired with local mentors. In tune, many of our members expressed the desire to establish exam scholarship(s) for international students in need. Others voiced their support for continued research initiatives, such as the international experience study and middle market research in China. Throughout the discussions, there was a clear underlying theme that our membership wants to be more actively engaged and it is our job as a council to facilitate opportunities.

Concretely, the International Section has three broader initiatives for 2014. First, we intend to expand our international outreach. This will include a revamp of our ambassador program, expanded webcast offerings, and hosting more events globally. Second, we want to expand mechanisms available to connect our local membership with the global actuarial community. We plan to create a mentorship program, expand volunteer opportunities with Actuaries Without Borders, and support university outreach programs. Third, we

will support the SOA's broader international footprint through seminars and conferences, such as IFRS and ALM Seminars throughout Asia, and through the use of our global network.

The only way we can meet these aspirations is through use of our membership and volunteer network. During the coming year, you will be receiving emails periodically regarding our new initiatives and more importantly ways you can become involved. I welcome your ideas and feedback over the coming year and look forward to making 2014 a success together. □

## Newly Elected International Section Council Members



### **Anna Dyck, FSA, FIA**

Consultant, Actuarial Risk Practice  
PricewaterhouseCoopers  
London, U.K.

#### **Professional Background**

Having started my actuarial career in New York and Vancouver in pension and international benefits consulting, I have now spent the last five years working in London, U.K., primarily in general insurance and wider non-traditional actuarial areas. Currently, I'm a consultant at PricewaterhouseCoopers and my areas of expertise are model validation and risk management.

#### **Society of Actuaries Experience**

I have been involved in volunteering with the SOA since I qualified as a fellow in 2011, as an Ambassador in the United Kingdom, proctoring local exams and organizing an annual gathering of U.K. SOA members.

#### **Other Relevant Volunteer Experience**

In addition to my involvement in the Society of Actuaries, I am involved in the Canadian community in London, acting as treasurer and founding member of the University of Waterloo London Chapter.

#### **Why are you interested in leading the International Section?**

With a tendency to get involved in organizations and societies, I am really interested in obtaining more of an understanding of how the SOA International Section operates, and helping to lead its future with the energy and experience I've obtained from living abroad.



### **Wendy Liang, FSA, CERA, MAAA**

VP & Actuary, Group Risk Management  
Swiss Re  
Zurich, Switzerland

#### **Professional Background**

I relocated to Zurich, Switzerland from the United States to work at Swiss Re's global headquarter in 2009. Currently, I work in the Actuarial Control team where we provide independent actuarial oversight at the group level for Swiss Re's liabilities from an economic point of view. In addition to my current role in risk management, I also have an international background in experience studies, having spent a few years working in both the United States and Europe on studies covering life, DI and CI portfolios. Most recently, I completed a short assignment in 2012 to work in our Hong Kong office, covering reporting responsibilities for the Asian countries. Outside of traditional actuarial work, I have also worked in Finance where I managed the annual planning process for our top clients, and

was the L&H expert and business partner for the client executives.

I am a graduate of the University of Michigan and have always been interested in volunteering, both with the SOA as well as with other actuarial and non-actuarial organizations. After becoming a fellow, I volunteered as a grader for the SOA. Earlier this year, I also worked as a moderator at the SOA's Life & Annuity Symposium. I hope that I can give back to the actuarial community through my international experience, having lived and worked in three continents. Together with my passion and energy, I look forward to sharing my experience with the members of the International Section and also among the wider actuarial community.

#### **Society of Actuaries Experience**

- Member of the International, Joint Risk Management and Reinsurance Sections for several years
- Former grader for the SOA
- Recently volunteered as a moderator during the 2013 Life & Annuity Symposium
- I also organize and run all the SOA exams in Zurich, Switzerland, allowing interested local candidates and students to sit for the exams in Zurich.

#### **Other Relevant Volunteer Experience**

I participated in a few actuarial and non-actuarial groups in the United States, including the Chinese Actuarial Club (CAC) where I organized lunch/dinner events in the greater Fort Wayne, Indiana area for local Chinese actuaries. As a graduate of the Leadership Institute of the Young Leaders of Northeast Indiana (YLNI), I was also actively involved with the organization, where we focused on community growth and

personal development of young leaders in the area from a variety of professions. In Zurich, I have started a dinner event for Chinese actuaries and we currently have about 15 people (mostly SOA members!) meeting a few times a year after work.

#### **Why are you interested in leading the International Section?**

Being an SOA member whilst working and living in Europe could sometimes lead to the feeling of being a bit "left out." Yet I would like others to know that one can still be involved and actively volunteer.

Born and raised in Asia until age 16, and living and working now in Europe after having spent many years in the United States, has given me the opportunity to explore a variety of cultures. Through my international experience, I am a firm believer in the value of meeting people, understanding the differences and building relationships. I believe that it is time for me to share my passion with other members in the International Section. Given the SOA's current ongoing effort with overseas initiatives trying to expand internationally, I can definitely see how this ties to my multi-cultural background and experience. If elected, I hope to bring my energy and experience to the section and to give back to the wider actuarial community.





### Lindsay Neu, FSA, EA, MAAA, FCA

Manager, Deloitte Consulting  
Boston, MA

#### Professional Background

I am a manager at Deloitte with nine years of experience working with clients on the valuation and financial management of their pension plans. My non-U.S. retirement plan experience includes advising governments and employers on appropriate plan designs and facilitating coordination with tax and third-party pension benefits for both private and public pension systems, most recently in Armenia.

In addition to my actuarial consulting experience, I have experience mentoring and teaching actuaries both in the United States and abroad. I have developed and taught curriculum on actuarial modeling, funding and accounting calculations, and professionalism. I have also trained local actuaries on the issues related to the emerging pension industry and their role in supporting its development.

#### Society of Actuaries Experience

I am currently a member of the International and Social Insurance & Public Finance Sections of the Society of Actuaries, as well as the Actuaries Without Borders, International Association of Consulting Actuaries, and

Pensions Benefits & Social Security Sections of the International Actuarial Association.

My professional volunteer work and speaking engagements include the following:

In the Spring of 2012, I helped to organize the Actuaries without Borders IAA Fund Seminar in Hong Kong at which I spoke on both volunteer opportunities and the lifecycle of the actuarial organization. Also at the IAA Colloquium in Hong Kong in the Spring of 2012, I co-presented on Armenia's pension reform and my work there related to modeling of the pension system.

In the Fall of 2012, I organized and moderated a panel on emerging market pension trends for the Conference of Consulting Actuaries Meeting.

Later in the Fall of 2012, I was a volunteer curriculum developer and instructor for a course in Azerbaijan on public pension basics co-sponsored by the SOA's International Section and the IAA's Actuaries Without Borders Section.

#### Why are you interested in leading the International Section?

I have a strong interest in international actuarial work and am passionate about building a tightly-knit community from which we can all learn and to which we can all contribute. After volunteering for individual events over the last year, I have decided that I would like to deepen my commitment to the profession by seeking a seat on the International Section Council. □



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**Renata De Leers**, Associate Member of the Institute of Actuaries in Belgium (IA|Be), is actuarial consultant and works essentially in Africa having Togo as her hub. She can be reached at [rdeleers@acbfora.com](mailto:rdeleers@acbfora.com).

## TOGO or Not To Go

Carlos Arocha and Renata De Leers

*“Knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family.”— Kofi Annan*

**B**y any standards, the week of April 22–26, 2013 was a momentous occasion in the very short history of the Actuarial Association of Togo (AAT): the 17-member society hosted the Third African Actuarial Congress<sup>1</sup> in the capital city of Lomé. The AAT was founded in 2011, yet it audaciously organized the congress, a surprising achievement in the association’s short life. Currently an observer member, the AAT intends to become an associate member of the International Association of Actuaries (IAA) by 2014, when the international congress in Washington, DC takes place.

In the meantime, the outcome of the African Actuarial Congress was deemed a success: more than 130 participants from about 33 countries—including 23

African countries—attended sessions on a variety of topics, ranging from Solvency II, IFRS, and micro-insurance (a seemingly interesting development avenue for the industry), to recent initiatives to build actuarial capacity in the region. The congress was rounded out with another event earlier in the week: a two-day seminar on Social Security facilitated by the Actuaries Without Borders (AWB) section of the IAA. This seminar brought together delegates from CIPRES<sup>2</sup>, the Inter-African Conference on Social Security.

One could see billboards in the streets of Lomé advertising both the African Actuarial Congress and the CIPRES/AWB seminar. This seemed a bit surreal—we do not recall having ever seen any advertisements of actuarial activities in any other city. The international delegates were seemingly impressed to see those ads. Furthermore, they were not disappointed by the enthusiasm shown by both organizers and sponsoring organizations.

The involvement of the SOA’s International Section at the African Congress came through AWB and was unanimously voted by the International Section Council (ISC), in an effort to reach out to less economically developed countries to share some of the experience gathered from previous international events. Carlos Arocha, the council’s Secretary, delivered two presentations at the congress: (1) Introduction to IFRS 4 Phase II; and (2) the SOA International Experience Studies Toolkit. Other speakers included Chris Daykin (CEO of the IAA Fund, past president of the Institute and Faculty of Actuaries, the *Groupe Consultatif*, and past government actuary in the U.K.), Jean-Claude Debussche (past chair of the Institute of Actuaries in Belgium), Dermot Grenhama (chief actuary, Insurance and Social Security, Government Actuary’s Department, U.K.), and Théophile Locoh





(chair of the Insurance Association of Togo), among others. In all, there were 16 sessions conducted in English or French, with simultaneous translation to the other language.

Among the sponsoring organizations were the National Insurance Commission (Ghana), the German Development Cooperation, *Institut des Actuaire*s (France), Institute of Actuaries in Belgium, Actuarial Society of South Africa, SCOR Global Life, CICA Re, CIPRES, and a host of local insurers.

The congress venue was the Hotel Mercure Sarakawa, whose gardens (that include an Olympic-sized swimming pool) where used for the welcoming reception. On the congress' closing day attendees enjoyed dinner at the *Côte Jardin*, a renowned Lomé restaurant that served a buffet composed of both Togolese and international delicacies. Local singers and dancers showcased the Togolese culture to the amusement of delegates. Two excursions were organized on Saturday, after the official part of the congress had ended. One group toured Lomé and had lunch at the beach, while a second, more adventurous group traveled by road to Kpalimé, some 60 miles north of Lomé, where the group wandered through the jungle, learning in the

process the names and features of some two dozen plants and flowers (in very hot weather, incidentally!)

All in all, the congress was very valuable for its networking opportunities.



A very important theme was the development of the actuarial profession in Africa—at least in the attending countries. Actuarial capacity building in Africa is made possible—in part—by international donations. Only a minority of students from French-speaking Africa has the chance to study in a Continental European university-based actuarial program. These students may be attracted by employers in France, Belgium or the French-speaking part of Switzerland, and if they secure a job, it is very unlikely that they will return to their home countries. Students from English-speaking countries (and only a few from other countries), on the other hand, usually pursue the examination route offered by the Institute and Faculty of Actuaries (IFA) and the SOA. The examination-based structure offers the clear advantage of distance learning, but poses other problems such as lack of incentives for actuaries-to-be. Besides South Africa, Ghana, with some 1350 actuarial university graduates, may be one of the promising countries



in terms of number of students (40) currently taking examinations.

Togo—Togoland up to 1919—is a French-speaking country in tropical sub-Saharan West Africa, and it is one of the continent’s smallest nations, with an area slightly larger than the U.S. state of West Virginia. Like in most African countries, the actuarial profession in Togo is in its infancy. There are currently no university actuarial science programs, but in October 2013 the “*Institut de Management Supérieur d’Adonai*” (IMS Adonai) will launch a bachelor’s degree in actuarial science. A similar program was successfully implemented in neighboring Benin in 2006, where 30 students have graduated. In the IMS Adonai program, courses in mathematics and statistics will be taught by local professors, most probably at the University of Lomé. The more specialized courses in actuarial science will be taught, on the other hand, by a combination of university professors and fully-qualified actuaries from Europe and North America. This will help expose the local community to international standards of practice. The program will provide an introduction to the subjects contained in the core syllabus of the IAA. It is hoped that ambitious graduates will write afterwards the examinations offered by the SOA, the Institute and Faculty of Actuaries (IFA) or any other association willing to organize the exams in Lomé.

Despite the advantage of distance learning, only a few students in African countries can write exams owing to onerous fees<sup>3</sup>, pricey study materials (including high shipping costs), exam tutorials, and the lack of sponsoring from employers and institutions. Insurers do not see the need to employ fully-qualified actuaries (in the sense of the IAA), despite that in certain countries (e.g., Ghana) the figure of “appointed actuary” has been introduced by local regulation. Many people called themselves “fully-qualified” because they perform some actuarial tasks, for example, the calculation of premiums and reserves. Their jobs would be perhaps threatened by students completing a formal actuarial education. For actuaries-to-be, embarking on an actuarial education path may be a gamble in the short- to mid-term, or may even not justify the effort.

Some education alternatives were presented at the Congress. A discussion of the IFA’s proposed new credentials of a Certified Actuarial Analyst and Student Actuarial Analyst (not yet approved by the membership), not being at the level of fully-qualified actuary, would nonetheless equip insurance professionals with basic actuarial skills. Also a Dutch consulting firm showed the “actuarial technician” training, well-established in the Netherlands, which can be made available on a distance-learning format. Finally, some fully-qualified actuaries have volunteered to act as mentors—one of them is even based in Lomé.

The AAT plans to enter an agreement with the AWB to conduct exam preparation classes as soon as a minimum number of interested parties is reached and the necessary funds to organize such classes are secured. AAT and other African associations also hope that the major actuarial organizations reduce exam fees for actuarially developing countries.

The decision to go was reached. The authors hope to be able to continue with their efforts to help develop the actuarial profession in the less economically developed countries of Africa. They invite readers to write with their suggestions. □

#### ENDNOTES

- <sup>1</sup> The first and second congresses held in Abidjan, Ivory Coast (2009), and Nairobi, Kenya (2011) respectively, were actually preceded by international meetings in Accra, Ghana (1999), Lagos, Nigeria (2003), and Casablanca, Morocco (2003). It must be stressed the existence of a “divide” between English- and French-speaking countries, which might have influenced the selection of venue for these events.
- <sup>2</sup> CIPRES (*Conférence Interafricaine de la Prévoyance Sociale*) has a format very similar to that of CIMA, but focuses exclusively on social security.
- <sup>3</sup> The SOA, however, features an Examination and Study Material Fee Discount Program. Approved candidates may not register for more than two examinations per six month period under the discount program, for a total of four exams per year. Standard fees are assessed on registrations which exceed this limit.



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## Multiemployer Plans – A Tale of Two Countries...

*A cause of, or solution to, your pension problems depending on where you hail from—a look at U.S. and Dutch multiemployer plans.*

By Elizabeth Mack

**M**ultiemployer plans are a fascinating idea—pool together the pensions of employees in a certain industry into one plan. Employers then buy into this plan by paying a set contribution for a future pension benefit for their employees. Once this contribution is paid, their obligation is satisfied and no liability exists on the balance sheet the way a typical defined benefit (DB) plan is accounted for. In fact, according to US GAAP and IAS19, multiemployer plans are accounted for as defined contribution (DC) plans. This is a convenient way for employers to offer a defined benefit program with a defined contribution risk. Or is it?

This article explores multiemployer plans in both the United States and the Netherlands and discusses factors that have made them thrive or flounder.

### A U.S. VIEW

Multiemployer plans in the United States are generally for blue collar workers in industries like trucking, maritime, entertainment, manufacturing, retail, mining, etc. There are over 1,500 active multiemployer defined benefit pension plans (10 percent of the total defined benefit plans in the United States) covering over 10 million participants (25 percent of DB plan participants in the United States). When a company joins a multiemployer plan, they have little control over the plan, such as administration, which is handled by a board of trustees composed equally of labor and management. It is this board which determines the contribution levels which actuaries then translate into a benefit. Certain industries negotiate the benefit levels during their collective bargaining. When employees leave their company but remain in the same industry, their pension is generally unaffected by their move, incorporating a valuable portability feature into the plan.

This description sounds simple and beneficial for both employers and employees, however, in the United States, the majority of multiemployer plans are dangerously underfunded. This is due to a number of reasons. More than half the firms that led their industries in 1955 remained industry leaders in 1990, but since then more than two thirds of the 1990s market leaders no longer existed in 2004. Multiemployer member firms that go out of business “orphan” their pension obligations with the fund—as this happens over and over, the situation becomes dire. In the 1990s the majority of multiemployer plans reported assets exceeding 90 percent of liabilities, but statistics as of late show that the portion of multiemployer plans less than 80 percent funded rose from 23 percent of plans in 2008 to 68 percent of plans in 2009.

We only have to look at the market to see why underfunding is becoming so prevalent. In addition to companies going out of business, there is a decline of unionized workers in many sectors and an ageing population. The financial crisis has only added to the unfortunate circumstances and plans are slow or unable to make changes as complex negotiations often must first take place.

That’s the situation in the United States—generally multiemployer plans are considered doomed. So, from a U.S. perspective how could multiemployer plans work? Is it unthinkable they could even flourish? If this was a movie, we’d cue the dramatic music and view the dark storm clouds over the United States. Then we’d zoom partway around the world to the Netherlands where the sky is blue and birds are singing and people are cheerily praising the benefits and lauding multiemployer plans while consultants advise that your company join one.

“Why are companies in the Netherlands considering joining industry wide funds, while American firms are trying to extricate themselves from theirs?”

### A DUTCH VIEW

In the Netherlands, DB plans are also in decline, but at a slower rate than the United States and the rest of the world. Plans in the Netherlands are also, on average, always funded well over 100 percent of the liabilities. The financial crisis has been felt in Europe and the Netherlands, but the funding standards are different. Plans in the Netherlands must, in general, be funded at a minimum level of 105 percent of liabilities. Not only is 105 percent a minimum funding level, the required funding level is much higher, often around 120 percent or more depending on their benefits (such as indexation) and investment risk (percentage invested in equities). There are two types of multiemployer plans in the Netherlands – compulsory and non-compulsory industry wide pension funds. For the sake of completeness, I’ll mention that there is a third type of “multiemployer plan”—a company fund may also have other participating employers in the fund if the firms work closely together, but this area is not the topic of this discussion.

In the Netherlands, around 80 compulsory industry wide funds currently exist which have around 11 million participants or over 80 percent of Dutch employees who participate in a pension fund.

Because employees who fall into certain employment categories must mandatorily participate, there is no shortage of employees in these funds. If a firm would like to opt out of a mandatory fund, they must prove that the fund is doing poorly which provides extra incentive for funds to do well. This is the opposite situation from the United States, where the fund doing poorly makes it extremely expensive for a firm to exit.

In the Netherlands, if a firm is found to not participate in a multiemployer fund which it should have joined it can face steep penalties. These penalties can include

retroactive contributions of five years minimum and 20 years maximum.

Contributions of the employer and employee are set conservatively, often over 20 percent of pay, so the funds don’t lack incoming cash flow. As soon as funding levels begin to look threatening, the Board immediately takes action with recovery plans or if funding hits below 105 percent, more drastic measures such as cuts in benefits are considered and quickly implemented. This is another key difference in Dutch pensions—the pension fund functions as a company and has separate advisors and an independent board.

Currently in the Netherlands, many firms are deciding if they should merge their private pension plan into a multiemployer plan. The advantages are certainly there—joining a fund eliminates both assets and liabilities from the balance sheet and leads to very stable contributions. All risk is transferred from the company to the industry-wide plan, which then buffers the risk and volatility for the firm. Lastly, administrative burden is nearly eliminated.

The considerations of joining a multiemployer fund include losing out on upside potential, giving up control over benefit design and loss of some employee/firm identity. If a company plan is already in place, the transition can be time consuming and complex. If other companies were to be unable to fulfill their obligations, then that risk must be shared among the remaining companies, the same as in the United States.

Why are companies in the Netherlands considering joining industry wide funds, while American firms are trying to extricate themselves from theirs? There are the three main things that make multiemployer plans a success in the Netherlands, underfunding isn’t

tolerated and plans are both mandatory and commonly used so the concept that young subsidizes the old does not (currently) pose a problem. The third factor is that the Dutch are a conservative bunch—they see far fewer firms going out of business (and subsequently orphaning their pensions) than their less risk averse U.S. counterparts.

#### WHAT'S NEXT IN THE UNITED STATES?

In the United States, the pension situation continues to decline. Many companies in multiemployer plans face rapidly increasing contributions which will mainly be paid toward the legacy liabilities rather than current employees. As companies withdraw, the pools get smaller. If enough sponsoring employers decide to withdraw, a mass withdrawal will occur which can be very expensive for all firms involved.

At this stage, it doesn't seem possible to have a healthy multiemployer system in the United States. Before the system could recover a few things would have to change: 1) more regulation—requiring companies to join and broadening the workforce to ensure

steady participation 2) change the stigma that multi-employer plans have. If we could accomplish #1, then #2 would likely follow, but in a country where there are frequent debates about the right level of government intervention, adding more regulation could take years and maybe never even happen.

What can be taken from this article is that there are different approaches to pensions around the world. Perhaps by learning more about different systems, we can come up with an innovative solution to the U.S. pension situation. □

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**Juan Sebastian Lopez Cubides**, is a portfolio manager with AIG.

## Historical Factors That Have Influenced the Life Insurance Market in Colombia

By Juan Sebastian Lopez Cubides

It is well documented that the property and casualty, or general insurance market is typically influenced by the evolution of macroeconomic variables, such as the growth in gross domestic product (GDP). For instance, the growth in GDP of BRICS countries (Brazil, Russia, India, China and South Africa) has promised to lift millions of people into the middle class, allowing them to acquire goods and services which creates demand to insure their newly acquired assets (e.g., homes, automobiles). Recent analyses and published papers, attempt to show the impact that macroeconomic factors (such as financial development, inflation levels, private saving rates, local interest rates), demographic factors (such as social security expenditures, income growth, young dependency ratio, life expectancy) and geographic factors have on the sprouting of the life insurance market. Some of these factors are different than the factors that influence the growth of general insurance due to the nature of the liabilities and investment strategies inherent to the long-term concept of life insurance in general. Similar evidence regarding the dependency of Latin American (LATAM) insurance markets to macro economic variables has been published lately; however these articles do not ponder the effect of historic variables.

How do all of these findings relate specifically to Colombia and why do other countries have a significantly larger level of life insurance activity when measured as a percentage of GDP? Notwithstanding the fact that Colombia has always been characterized by an intense internal conflict that puts pressure on its economic and financial markets, it has been one of the few LATAM countries that has never defaulted on its debt obligations and avoided hyperinflation (low income countries tend to rely in the export of



goods such that a tough devaluation of the currency due to hyperinflation causes a countries' earnings to be very unstable), whereas countries such as Brazil and Argentina have defaulted in the past and suffered extended periods of hyperinflation. The internal conflict was born in the 1950s as a peasant movement looking to protect the rights of the poor and to provide social justice. Years later, it became a business financed through extortion, kidnapping and drug-trafficking. The twenty-first century in Colombia has featured strong antidrug and antiterrorism policies and also lately, President Santos has started activities towards a peace process with insurgency groups that would put an end to one of the longest internal armed conflicts in the history of modern civilization. There were similar attempts to provide Colombia with long lasting peace at the beginning of this new millennium but President Pastrana's government was too lax and gave the terrorist groups enough rope to keep committing crimes.

On the other hand, regarding social and economic policies, the Colombian congress recently passed laws that allow the poorest to access free health care, reduced taxes for imports and exports originating from businesses where free trade agreements are in place, and introduced strong macroeconomic policies that increase the country's revenue and stimulate foreign investment. Due to this political assertiveness, the country is enjoying exceptional growth rates, which are supported by soaring foreign investments (15 percent increase year on year) that are being reported in the most renowned publications including *Financial Times*, *The Economist* and *The Wall Street Journal*. This thriving economic and political environment should provide fertile ground for life insurance market growth, although this hardly explains the behavior up until now since most of the changes have occurred in the latest decade.

Colombia is one of the biggest LATAM countries in terms of population and size, but a significant portion of its territory remains relatively isolated due to the lack of roads and communication infrastructure. This is mainly due to its geography as mountains and rainforests cover more than 50 percent of the territory and some areas are by any means, impenetrable. Colombia possesses strategic points (places that if supported by a robust infrastructure would have the greatest impact in terms of economic growth, social uplift and sustainability), relatively unconnected that can only be accessed by rudimentary means. Similar middle-income countries such as Chile and Argentina have five and 25 times the number of rail line kilometers available for use than Colombia, respectively. Even though Colombia is rich in natural resources such as gold, petroleum, emeralds, gems, nickel, and coal, the location of the mines and deposits are such that the costs of extraction and transportation increase the price that the consumer has to pay. Most of the industries complain that it is cheaper to transport goods to Hong Kong or Europe than within Colombia. During the last three centuries there has been no effi-

cient means to reach the final consumer and therefore, economic growth and with it the growth in insurance demand has been lethargic.

The life insurance industry landscape in LATAM is better in some respects than in mature markets such as Europe and the United States because the young dependency ratio is much higher (and thus the size of the target market population). That is, LATAM populations are relatively young. These individuals are much more likely to acquire life insurance protection because their asset and salary growth outlook is larger than in older populations. On average, there are six individuals per each senior in Latin American countries whereas in European countries this ratio is just three individuals per each senior. Since life insurance policies are used to provide protection on income, another way to look at this phenomenon is assessing future market size determined by the proportion of the population under 15 years old. By this measure, Latin America almost doubles Europe's future workforce (25 percent compared to 14 percent, respectively).

The Colombian life insurance industry needs to take a big leap forward by overcoming significant challenges to increase insurance penetration to comparable South American levels. The average penetration for South America is 1.11 percent whilst Colombia's is 0.686 percent (the lowest among the high growth countries which include Mexico, Brazil, Colombia and Chile). Some of the biggest challenges are broadening post-secondary education, reducing the operating costs to make it more attractive for investors, deregulating economic markets, and improving financial literacy and awareness.

Access to higher education and beyond, has been one of the main reasons why Colombia falls back to very similar countries like Chile and Mexico. In the 1960s, more than half of the populations in Mexico and Chile were below their poverty line, but postsecondary school education enrollment allowed them to enter the middle class and as of now, are responsible for the vast

“...why do other countries have a significantly larger level of life insurance activity when measured as a percentage of GDP?”

growth in consumption. It was not until the late 1970s that the Colombian government took over the costs associated with educating its people. In spite of recent improvements in the volume of citizens attending college or universities, it is below the average proportion in the LATAM region. Educated people become one of the main factors for the success of the life insurance industry because these people have a better quality of life and thus greater necessity to protect their current state than uneducated people.

Reducing operating costs presents a two-fold challenge in Colombia: technology use and high labor costs. In the United States, insurance companies were some of the first to harness the power of computing in the 1950s, which was required to administer large number of policies. However, the biggest players in Colombia (e.g., Grupo Sura and Seguros Bolivar) had always been locally owned, until recently since their initial public offering were less than five years ago, and therefore were less exposed to information technology trends and thus, slower to adopt better technology. On the other hand, while running an enterprise in Colombia is cheaper in terms of taxes than in some European countries (28 percent of profit taxes compared to close to 50 percent) it is more expensive when it comes to hiring employees because welfare expenses increase costs an additional 50 percent reducing profit margins and thus, making it less attractive for investors. The result is that due to substantial operating costs most of the life insurance products are still inaccessible for a broad economic section of the population.

Significant government efforts to stop drug trafficking, reduce corruption, and improve security coupled with business friendly policies have resulted in a vast influx of foreign investments since the country's risk diminished significantly. Also, liberalization of the markets in the early 1990s lifted restrictions in most of the economic sectors and provided equal treatment for local and foreign investors. All of these facts, which coupled with better ratings on the international

Corruption, Heritage Economic Freedom and World Bank Doing Business indices, enhanced the investment climate such that the foreign direct investment (FDI) has been growing exponentially in the last two decades. Nonetheless, Colombia has lagged behind comparable countries such as Mexico and Chile for two decades, as these countries had free trade agreements in place with the United States and Europe since the beginning of the 1990s. This meant the growing local presence of worldwide insurance and banking companies that brought with them knowhow and expertise, resulting in a healthy competitive market that drove down costs and increased innovation to satisfy Colombians' needs.

Financial market penetration (*Bancarización* as referred to in Spanish) may very well be the most substantial challenge to increase insurance penetration. In the early decades of the last century, means to save in rural populations were almost nonexistent since the government owned banks did not have any material presence in these low population areas. This resulted in a lack of knowledge of the financial world and the role of insurance products. As seen in Bangladesh and India, micro insurance and loans products can reduce poverty by offering financial stability and increasing awareness. NGOs (Non-governmental organizations) and government agencies should focus their efforts in proliferating appreciation of the financial markets in rural areas so their use becomes more common. Recent studies show a significant increase in the penetration of financial products, which reaches almost 65 percent of the population with at least one financial product. Unfortunately this does not imply broadened insurance use since its growth, while positively correlated, is not as large because insuring life (in other words, securing means of living for your family in a predominantly male working society) is not deemed necessary possibly due to the lack of knowledge, as well as perhaps longstanding family traditions. This amelioration would also create robust vehicles for the sales and administration of insurance policies





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that would in turn, reduce transaction and operating costs.

As a conclusion to this article, we can assert that although Colombia has taken big steps towards the modernization of the financial services industry and particularly the insurance industry, some pressing problems remain unsolved. Access to education should be extensive regardless of the degree of urbanization and enrollment to science related careers should be encouraged to be aligned with worldwide market trends. Access to financial services should be nationwide and the growth of its penetration depends on teaching people to save by participating in the financial markets while creating confidence on the system. These actions should ease the burden on payment processing for the sales of insurance policies. Finally, lifting tariffs and restrictions to protected markets (e.g., oil & gas and infrastructure), and concluding the peace process successfully shall bestow investors with a safe and sound economic environment.

In some cases, economic policies are indeed very difficult to implement. As we have seen, experience in similar middle-income countries can be leveraged to streamline the innovation of economic markets. □





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## 17th East Asian Actuarial Conference

By Jill Hoffman

The 17<sup>th</sup> East Asian Actuarial Conference (EAAC) was held in Singapore in October. You may have noticed the ads running in recent issues of this publication. Historically, the EAAC has been a bi-annual conference held in various member countries of the EAAC (Singapore, Chinese Taipei, Australia, Korea, Malaysia, Thailand, Australia, Hong Kong, Philippines, and Indonesia), so it has been over 20 years since Singapore hosted the EAAC! The 17<sup>th</sup> EAAC was a huge success (for the sake of full disclosure—I am biased, as president of the Singapore Actuarial Society). With over 650 delegates in attendance (of which Singapore made up around 270), I believe it was one of the largest EAAC gatherings ever. This was a great achievement, as usually the host country's members make up the majority of the delegates.

Starting with next year's conference, it has been decided that the conference will be held annually. Mainly so that we can increase the frequency that EAAC countries are able to host (as opposed to every 20 years!) and also so that members who are not able to travel, get to attend in their home country. In 2014, the Actuarial Institute of Chinese Taipei will host and organize the conference and then the Society of Actuaries of Thailand in 2015.

The 17<sup>th</sup> EAAC started off with the annual board meeting, which is the meeting of all the current presidents of the member associations. The China Association of Actuaries was formally welcomed to the EAAC, as they were ratified earlier in the year.

Each EAAC tends to follow a similar format. The night before the conference officially starts, there is a welcome cocktail reception. This year, the reception was held at the Hard Rock Hotel, at their outdoor space and was a great opportunity for attendees to catch-up and meet new people. The first day of the conference starts with plenary sessions, with several



Attendance at the EAAC was over 650 participants.



The 17<sup>th</sup> EAAC Organizing Committee, made up of Singapore Actuarial Society volunteers.

guests of honour. We had the privilege of having Mr. Lee Boon Ngiap, assistant managing director of the Monetary Authority of Singapore give the opening address. As the International Actuarial Association (IAA) hosted their council and committee meetings the weekend before in Singapore, we were able to have the IAA president, Robert L. Brown, FSA, FCIA, ACAS, HONFIA, give the keynote address.

The conference theme was “Redefining Risk. Creating Value.” Presentations were given in most actuarial



The Singapore Actuarial Society performing at the Gala Dinner.

disciplines—life, health, non-life, and ERM. The second day of the conference was a half day, where participants had the choice of going to Universal Studios Singapore or the S.E.A. Aquarium. During coffee breaks, there are booths set up by the sponsors, often with contests to win Apple products and free giveaways. The conference ended with a full day of sessions on the third day followed by the gala dinner.

The gala dinner of the EAAC is a unique event. Each of the EAAC member countries must do a “country performance.” That is, members of that association get on stage and perform a song, dance or performance for the audience. This is one of the highlights of the

dinner. Watching actuaries come out of their shells and perform is a treat. There is also a free flow of drinks at the dinner, which helps.

All in all, the EAAC was a great experience, not only from a conference attendee point of view but as part of the organizing committee. I wish the Actuarial Institute of Chinese Taipei all the best with the 18<sup>th</sup> EAAC. I have no doubt that it will be a successful conference. □



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## Argentinean Strategic Plan for the Insurance Industry

*World Bank technical assistance to the national insurance regulator*

Following from its February visit, the World Bank came to Argentina from August 26-30 with the objective of steadfastly continuing technical assistance to the insurance regulatory body (SSN) in three areas that were specifically identified in the Strategic Plan for the Insurance Industry (PlaNeS 2012-2020) as needing special attention: (a) Risk-based supervision; (b) Improvement of financial conglomerates' supervision; (c) Increasing the insurance sector transparency.

The delegation was led by Ms. Serap Oguz Gonulal, actuary and senior financial sector specialist from the World Bank accompanied by Mr. Javier Castillo García, actuary from the Spanish regulatory body; Mr. Manuel Peraita, Spanish actuary and Mr. Bryan Fuller, U.S. independent insurance consultant, all of whom are experts in the aforementioned fields. The visit also included the participation of Ms. Astrid Jacobo Sánchez, financial surveillance director at the Mexican Insurance Regulator (CNSF) and Mr. Elder Vieira Salles, general coordinator of solvency monitoring at the Brazilian Insurance Regulator (SUSEP) who gave presentations relating to Solvency and Risk Based Supervision in their respective markets. The audience included the authorities of all the insurance chambers and industry trade bodies that are actively participating in PlaNeS.

PlaNeS is driven by SSN, through both the Superintendent of Insurance Juan Bontempo and the Vice Superintendent Santiago Fraschina, with the invaluable support of the authorities of the Ministry of Economy and Public Finance. The main objective of the plan is to design the best policies for facilitating growth and development of the industry in the next decade.

Detailed presentations about the current status of the project and progress made in the three areas were

given to the World Bank consultants by various professionals from the SSN; the Ministry of Economy and Public Finance (MECON) and Argentinean external consultants appointed to the project.

We are very grateful to Gabriel Wolf, head of advisors to the vice superintendent and Pablo Paredes, coordinator of international relations at SSN, who organized the World Bank visit and facilitated the involvement of all the relevant industry parties and the actuarial community in this thoroughly worthwhile endeavor.

The World Bank assistance represents a continuation of the work on PlaNeS which was formally announced by the Argentine President, Cristina Fernández de Kirchner and the Minister of Economy and Public Finance, in an event held at the Presidential Palace which was extensively and positively covered by the Argentine media. □

## SOA Living to 100 Symposium Jan. 8-10 in Orlando to Feature Prominent Actuaries from U.S., Canada and U.K.

What does the future hold for life expectancy? During the upcoming January 8-10 Society of Actuaries' Living to 100 Symposium in Orlando, prominent actuaries from Canada, the United States, and the United Kingdom will examine mortality projections from a social security perspective.

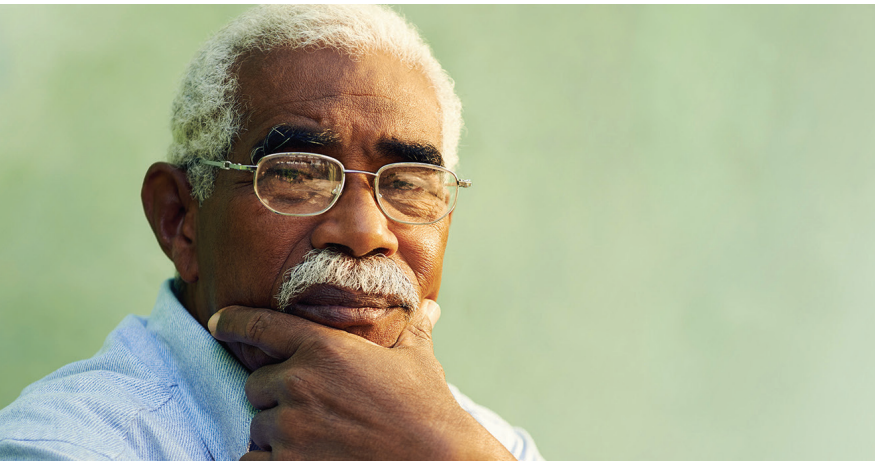
Stephen C. Goss, Chief Actuary of the Social Security Administration, will provide an update on mortality projections and related issues with respect to the U.S. Social Security program. Jean Claude Menard, Chief Actuary of the Office of Superintendent of Financial

Institutions, will discuss the development of mortality estimates used in Canada Pension Plan projections. Adrian Gallop of the U.K. Government Actuary's Department and responsible for Pensions policy, Demography and Statistics, will talk about past, present and future trends of U.K. mortality.

Mortality is a fundamental and vitally important element in the development of projections of the finances of social security programs around the world. These actuaries will discuss some of the key factors and issues associated with these projections. Improving mortality has and will have a significant impact on the affordability and importance of income through retirement in these countries.

Some of the issues that will be discussed throughout the symposium include will historical mortality improvement trends continue in light of the increasing number of those who are obese and increasing numbers with Alzheimer's? What will be the financial impact to society of the growing number of elderly and what challenges and opportunities will result? The fifth in a series, this international symposium is expected to be the best yet. It will have more featured speakers and networking opportunities than in the past, as well as panel discussions on the implications of aging and the applications of mortality modeling.

For more information about this SOA research initiative and to register for the symposium, see <http://livingto100.soa.org/symposium.aspx>



Living to 100 Symposium





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## The International Section at the SOA Annual Meeting

By Vincent Xuan

The 2013 SOA Annual Meeting & Exhibit was held in San Diego, California from October 20–23. Attendees included members from around the world, and the International Section Council was very busy at the meeting.

### INTERNATIONAL SECTION COUNCIL MEETING

The International Section Council activities commenced at 1:30 p.m. on Sunday with our annual in person council meeting. At the meeting we welcomed three new council members (Anna Dyck, Wendy Liang, and Lindsay Neu) and said goodbye to three members (Theodoros Iaponas, Ben Marshall, and Lina Xu). The new officers for 2013-2014 were elected, and they are Sunil Sen (chair), Carlos Arocha (vice-chair), Wendy Chiwen Liang (treasurer) and Rong Rong (secretary). Sunil will be commenting in more detail on the council's planned 2014 activities in his "Chairperson's Corner," which may be found on page 3 of this newsletter.

### OPEN FORUM AND NETWORKING DINNER, CO-HOSTED WITH CAC, IABA AND CAA

An open forum and a networking dinner were co-hosted by the International Section of the Society of Actuaries, the Chinese Actuarial Club (CAC), the International Association of Black Actuaries (IABA) and the Caribbean Actuarial Association (CAA). The forum topics included "China's Recent Development in Economy, Insurance Industry and Actuarial Profession" by Professor Xiaolin Li, "Introduction to Organization and Structure of Chinese Insurance Industry" by Dr. Longqing Chen, and "Life Insurance and Pension Industry recent experience in Japan" by the delegates from the Institute of Actuaries of Japan (IAJ).

### INTERNATIONAL RECEPTION

As before, the Tuesday night International Section



Reception was an evening of joy and networking. People had fun catching up with old friends or connecting with new ones. This year's event was financially assisted by Milliman Inc. and Ezra Penland Actuarial Recruitment, and co-hosted by the International Association of Black Actuaries and the Chinese Actuarial Club. The event featured several short speeches, door prizes, many varieties of food and an open bar. Several members of the SOA leadership team were also in attendance. A good time was had by all, and we look forward to seeing many of you again next year. Special thanks to Lina Xu and our financial sponsors for their efforts in making this year's event a success.

### ANNUAL MEETING SESSIONS

The International Section was involved with several sessions at the annual meeting. The materials for the sessions may be found on the SOA website 2013

Annual Meeting page (<http://www.soa.org/event-calendar/2013-annual-meeting/>).

On Monday morning, a panel discussion “Insurance Contract Accounting Update (FASB/IASB)” was arranged by the International Section and the Financial Reporting Section of the SOA. This session covered an overview of the FASB and IASB proposals, preliminary industry reactions, as well as some case studies. In the afternoon, the International Section hosted another panel discussion titled “Longevity Risk, Product Design and Capital Markets Solutions.” This session investigated the longevity risk, used variable annuity (VA) living benefits as an example to evaluate the volatility of lifelong guarantees, and explored the capital markets solutions to hedge longevity risk. Lina Xu was the session coordinator.

Tuesday afternoon is a busy time for our International Section. A presentation “Global Insurance Series: Takaful and Latin American Markets” was hosted by the International Section and presented by Marcela Abraham, Priya Dwarakanath, and Nicholas Yeo. They gave an in-depth discussion of Latin American insurance markets and some highlights on Takaful products. Another panel discussion “Current

Developments in European and North American ORSA Requirements” was presented by Henri Boudreau and Brian Paton. Sunil Sen was the session coordinator. The session focused on the current state of European, Canadian and U.S. ORSA initiatives’ implementation and key challenges.

A special session was held at the Wednesday breakfast discussing “Future Initiatives and Actuaries without Borders Introduction.” This session was moderated by Sunil Sen, the chair of the SOA International Section and presented by Carlos Arocha and John Robinson. After the special breakfast, a session “Working Abroad as an Actuary” was co-hosted with the Actuary of the Future Section. During the presentations, Sunil Sen, Alycia Slyck and Michael Witt shared their own expatriate experiences, excitements, and challenges.

#### AFTERWORD

International Section played a very active role in the SOA 2013 Annual Meeting. Everyday there were sessions presented or organized by the section that were appealing to the attendees. With great feedback and high attendance, we are confident in making the section’s presence at the next annual meeting a success again. □

# 2014 Country Feature Article Competition - Cash Prize of U.S. \$1,000!

## Do you want U.S. \$1,000 for writing about something you find fascinating and become a published author? Read on:

The International Section Council (ISC) is pleased to announce we are running our Country Feature Article Competition again this year. Here is a chance for you to win a cash prize of U.S. \$1,000 for first place, or U.S. \$500 for second place. If you are not an International Section member yet, simply join the section for U.S. \$25 and then submit an entry. You do not need to be an SOA member to join the International Section so please pass the word on to others who may be interested. The preliminary deadline is April 30, 2014 to ensure eligibility in the contest.

Markets vary by country due to such local factors as history, economic system, regulations, consumer behaviors, social values, and culture. The Country Feature Article Competition provides you with a forum to share your experiences, interesting facts, or statistics that reflect your country's distinctive qualities.

Your article can be about any non-U.S. topic or topics that you find informative and interesting. For example, it might be about local actuarial organizations and activities, the actuarial profession in traditional or wider fields, financial products, social security reforms, employee benefit practices, or the insurance sector in your country. It could be about market trends in pensions or insurance products. It could be technical or informal. The choice is yours!

### Eligible Authors:

- Any International Section member

### Rules:

- The article must be a previously unpublished article.
- The write-up should be no more than 2,000 words.
- Photos, charts, tables or graphics are encouraged for illustration. Any photo sent should be in either .jpeg, .tif, or .eps format with a print resolution of at least 300 dpi. We accept photos taken by you or photos with permission to use provided by its original owner.

### Deadline:

Please e-mail your submission to Sue Martz (smartz@soa.org) by **April 30, 2014**. Please give full contact details for the author. Selection and Announcement: The ISC will select and advise winners by early summer, using criteria such as "That was so riveting" or "That explains what I always wondered about XYZ", etc. We look forward to receiving your entry.

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# International News