

Write-up of the 9/9 CAC Seminar on Chinese Insurance Market

By Nian-Chih Yang

The Chicago Chapter of the Chinese Actuarial Club held its annual seminar at the Ben Pao Restaurant in downtown Chicago on the night of September 9th, 2007.

Two speakers were present, Mr. David Liu and Ms. Angie Wachholz. The topic for the seminar was on the Chinese/Asian Insurance Market in general. Ms. Wachholz from DW Simpson covered the subject of career opportunities in the region specifically.

Mr. David Liu is the Chief Advisor of Zurich Greater China. He has extensive experience in the Chinese insurance market. He retired as Chairman of Aon China (1995 – 2005). Before moving back to China, he was Senior VP at the Aon Insurance Company in Chicago. Mr. Liu has a doctorate degree in mathematics. From 1971-1974, he was Assistant Professor of Mathematics at University of Illinois at Chicago Circle.

Thirty people attended the seminar. There was even a request for “cellcast”, where cell phone was turned on for Ms. Tong Tang from Portland, Oregon to listen in on the proceeding. Angie went first with her presentation. The text of her presentation is attached below. The Q&A session afterward lasted more than an hour. Most of the questions centered on employment opportunities of different practice specialties.

The dinner was served after Angie finished her session.

David met Angie for the first time at the seminar. They probably did not have opportunity to collaborate on the Angie’s presentation. But as it turned out David was the embodiment of the successful/model actuary described in Angie’s presentation.

David helped Aon started up the Chinese/Asia offices when the Chinese government first opened up the market in 1995. His presentation was more or less his personal journey/development as a business actuary, with the past 12 years in China.

Take risk – David volunteered to open the Chinese market for Aon. When he took up the assignment, China was considered an under-developing countries and the assignment was considered a hardship.

Be a generalist/ be versatile – He worked in different areas: P & C, pension, life, health, underwriting, regulatory, brokerage, credit, extended warranty...

Find the right mentor/ follow the right boss (accept the limitation of being a minority) – While working for the Illinois Insurance Department, David observed the rise of a solid company (Corn Belt Insurance Company, later re-named Ryan Insurance Group, founded by Patrick G. Ryan that merged with the Combined Insurance Company in 1982 to form the Aon Insurance Company). He jumped at the opportunity when Mr. Ryan asked him to join the company.

Be communicative and confident – “Ask me, I really know a lot about Chinese market, ask me anything, anything...”

Be visible/ be recognized as the go-to guy/ ask for the tough assignments – he helped Zurich attain the first P&C company license and helped Aon get the brokers’ license.

Prove/earn your worth – He got expatriate package in China for 11 years at Aon and was never localized. He has helped Aon earn hundreds of million dollars a year. It was a win/win for the company and him.

Speak local language – He speaks fluent Cantonese, Taiwanese, and Mandarin

Ground floor (adaptable) – When he started the office in China, he had to handle the mundane works such as finding workers to fix lighting, clean carpet ... In China, everything is possible and everything is impossible.

Work closely with the government – David lent a hand in formulating Taiwan’s insurance regulation in 1977. He also helped in 1995 when CIRC (Chinese Insurance Regulatory Commission) started the same process. He arranged the exchange programs for Chinese insurance regulators to work/intern at Aon’s home office.

Take new challenges/ not sit on laurel/ keep learning new things/ want to make an impact – In 2002, Aon attained its license in China. By 2003, the business was already profitable. It was unprecedented.

Have business sense/ be a business actuary/ aware what is going on out there/ not just focus on one thing.

Be an intrapreneur (versus entrepreneur, there are advantage of rotating within company)/ grow within company.

He also gave a brief overview of the current status of the Chinese insurance market.

P&C carriers in China are writing business on loss (price war), especially the non-local companies. Many times the gross premiums collected cannot even cover the reinsurance cost. Even resorting to prime facie rates (rate floors set up by regulators) has not solved the problem. Most life companies are doing fine (profitable).

North American trained actuaries are in good position as far as employment opportunities in China go. Chinese insurance regulations are tilt to the US/Canadian model. FSA, MAAA, CPCU are well recognized.

Regarding pension actuaries’ job prospect, as defined benefit plans are disappearing from the market here, ironically, there are opportunities to design those plans in China.

The Chinese government is encouraging the selling of “microinsurance”. Microinsurance sometime means small face coverage to the lower income population. The market for the higher income group in the urban area is saturated. In other cases, it means covering female pigs for the farmers. The farmers’ household incomes are greatly dependent on the well being of their pigs. The government considers microinsurance a viable vehicle to help the population avoid falling through the poverty line. Without the safety net, any unexpected loss would cause many households unable to support themselves.

Consulting companies’ main sources of assignments are doing market survey/study, helping companies to find the niche in the market.

All life companies are required to have qualified actuaries in-house to sign off the reserves. For now, FSA or MAAA are considered as qualified actuaries in addition to the locally examined actuaries. Starting next year, all P&C companies are also required to have qualified actuaries in-house.

David’s presentation ended with a long Q&A sessions again. Even after we cleared out of the restaurant, many still circled around David outside to ask follow-up questions. We all bade David a pleasant flight back to Beijing. He was scheduled to leave at noon the next day.

The seminar was well received. CAC appreciates both Mr. Liu and Ms. Wachholz’s enlightening presentation. We are also grateful for DW Simpson’s partial sponsorship of our seminar.

***** Presentation by Angie Wachholz of DW Simpson *****

What is the market like right now for North American actuaries who want to work abroad?

First and foremost—the market is strong. Secondly, there is a growing demand for actuaries, particularly North American trained actuaries. This is because North American trained actuaries seemed to have excellent training, education and exposure to Student Program and rotations.

There is also a continued movement toward globalization and it will continue. Many companies have locations around the globe, which makes it far easier to transfer internally within a company. If you work a global consulting firm or leading global insurance company, there is a possibility you could move within the company a location in Asia.

As an estimate, there has been an increase of 80% more jobs overseas than there were five years ago. It's the reinsurance industry that has caused the boom in offshore locations such as Bermuda. In Asia, the expansion of Life, and increasingly P&C companies, has created a huge demand.

What are the advantages to working abroad?

Working abroad requires a great deal of business sense and judgment. Many of the local markets look to actuaries to help grow their business. And when your resume shows that you have worked overseas, it demonstrates to an employer that you have flexibility, a world view and wider exposure to not only a different culture, but a different way of approaching the business—that is what makes you an asset!

Offices tend to be smaller in Asia, which means that you will have a broader exposure. You will also have the opportunity to be a part of an emerging market.

What are the disadvantages?

In some countries, the actuarial work is less sophisticated. For example, an actuary may find he or she is doing work that an analyst level would do here. As an example, hedging isn't the driving force for annuity products in Asia like it is here—although we have seen indicators that this, too, is changing fast. However, people willing to go to other countries to work are perceived as outstanding candidates.

Must a candidate speak the language of the country he/she is going to?

It is becoming increasingly important for candidates to be able to speak the local language. Sometimes at the very senior end, you can get away with only English, but this is becoming less common as actuarial skills become more widespread.

There are increasing amounts of indigenous Chinese in North America who are returning to China. This, coupled with the increasing talent pool around Asia, means that these language skills are a pre-requisite. Since there is an increased supply of native speaking candidates, it is now very rare for a company to consider someone who does not speak the local language.

In addition to China, I'd like to give you a brief overview of other areas in Asia and their language requirements.

In Korea, both Korean and English are used. It is highly preferable for candidates to speak Korean, but the lack of Korean actuaries means that companies will sometimes overlook the language skills. Generally those who want to go to Korea are returning Koreans, so they obviously speak Korean.

In Taiwan, Mandarin and English are the languages of choice in business. There is a local Taiwanese language, but it's not really used in business. Mandarin would be a pre-requisite for Taiwan.

In Japan, it has historically been impossible to place anyone who does not speak fluent Japanese. This is still predominantly the case, but we now have a couple of clients that will entertain candidates who have a beginner/intermediate grasp of the language. Again, this isn't common and generally Japanese is a pre-requisite. Japanese employers, however, have shown an openness to send people to classes to learn the language.

Singapore is very much an English speaking country. Many of the Singaporeans speak the Queen's English and have better vocabulary, diction and spelling than the majority of English/Americans.

Can you compare, in general, salaries for overseas jobs to those for same level jobs at home?

Our experience is that salaries in China are lower than the US, but the margins are decreasing. In China in particular, consultants still get paid significantly more than those in the insurance world. Therefore, it is much easier to place people into consulting practices than insurers in China.

Our experiences show that as a general rule of thumb, those in consulting are getting offers in the range of 10-20% lower than their US salaries and those in insurers somewhere between 20-40%. There are occasional exceptions, but they are just that, exceptions or just fabrications.

We don't want to get too specific, but we also want to be able to set realistic expectations for salaries. However, if you bring a certain skill set to the table, it is possible to command a higher salary.

In Hong Kong and Singapore, salaries are higher than China, and are more in line with US salaries. I would suggest that they are perhaps still a bit below the US, but not significantly so.

People often ask about expatriate packages, but these seem to be a thing of the past. Companies may put together a package for a very senior candidate. Someone who is a Senior Business Developer in an emerging nation, or is developing a market in China, for example, might be eligible for these types of packages.

Many companies view moving abroad as a career enhancing move for you as well as being attractive to the company. There will not be great financial incentives; you have to WANT to move to a certain area, rather than be compensated for moving there.

What is the comparison of job opportunities based on practice area? Life vs. P/C, for example?

In Asia, approximately 85% of the actuarial jobs are in Life. P&C is very small and the actuarial work is predominantly carried out by the consultants.

Most of the actuarial work done in-house by insurers in Asia is either performed by non-actuaries or given to hired consultant. This was how it was in the US about 20-30 years ago. Recently the insurers have invested in, and seen the advantages of, taking on actuaries in-house. Hopefully we will continue to see this development across Asia.

Pensions in Asia is still small, but it is increasing. We are seeing increasing demand from consulting practices for experienced pensions people particularly in mainland China and Hong Kong. For example, Aon Consulting opened an office in Singapore a month or two ago and has hired their first pensions actuary there. In terms of Health, we are now seeing health insurance concerns come up in the news in developing Asian countries. However, we do not anticipate a high demand any time soon.

Do companies take care of the bureaucratic red tape and the moving details for the actuary?

Typically, the company takes care of all of this for the employee.

Are there companies you are aware of who are seeking employees to move abroad?

Insurance carriers such as AIG, MetLife and Prudential as well as consulting firms such as Ernst & Young, KPMG, Milliman and others are big players.

How can a Canadian or U.S. actuary working in a foreign country keep up with exams?

There also seem to be many groups emerging (thanks to the CAC and other such groups) where employees can study together for exams. Most actuaries in Asia take US exams, so it appears to be relatively easy to complete exams in Asia. The Actuarial Societies can help advise you on where to take exams and how to find a study group.

What's your best advice for people who want international positions?

First, get into a company with an international department—an insurer, consultant or reinsurer. Even if you don't get an international position right away, the potential is there. You have to balance persistence with patience. If there is a rotational program, that's good because you see the whole company. You should also make an effort to meet the people in the international area.

Put yourself in a position that's going to lead to international work. Map out your career. Ask, 'what's in the greatest demand? What can I learn now that's going to put me in position to work on an international basis in a few years?'

It's important to round out your background—if you have only insurance experience, consider moving into consulting. Furthermore, if you are an actuary who wants to go to Asia, put yourself in a position to gain experience that would make you more marketable to Asian/international companies.

What kind of personality is best for this type of job?

- **People who are not risk adverse**
- **People who want to take on new challenges**
- **People who want to keep learning**
- **People who want to make an impact**
- **People who are communicative**
- **People who can interact with a variety of professionals**
- **People who have strong business sense and are a business actuary**