

Roles Played by Actuary and Future Prospects

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Think the Future, Manage the Risk

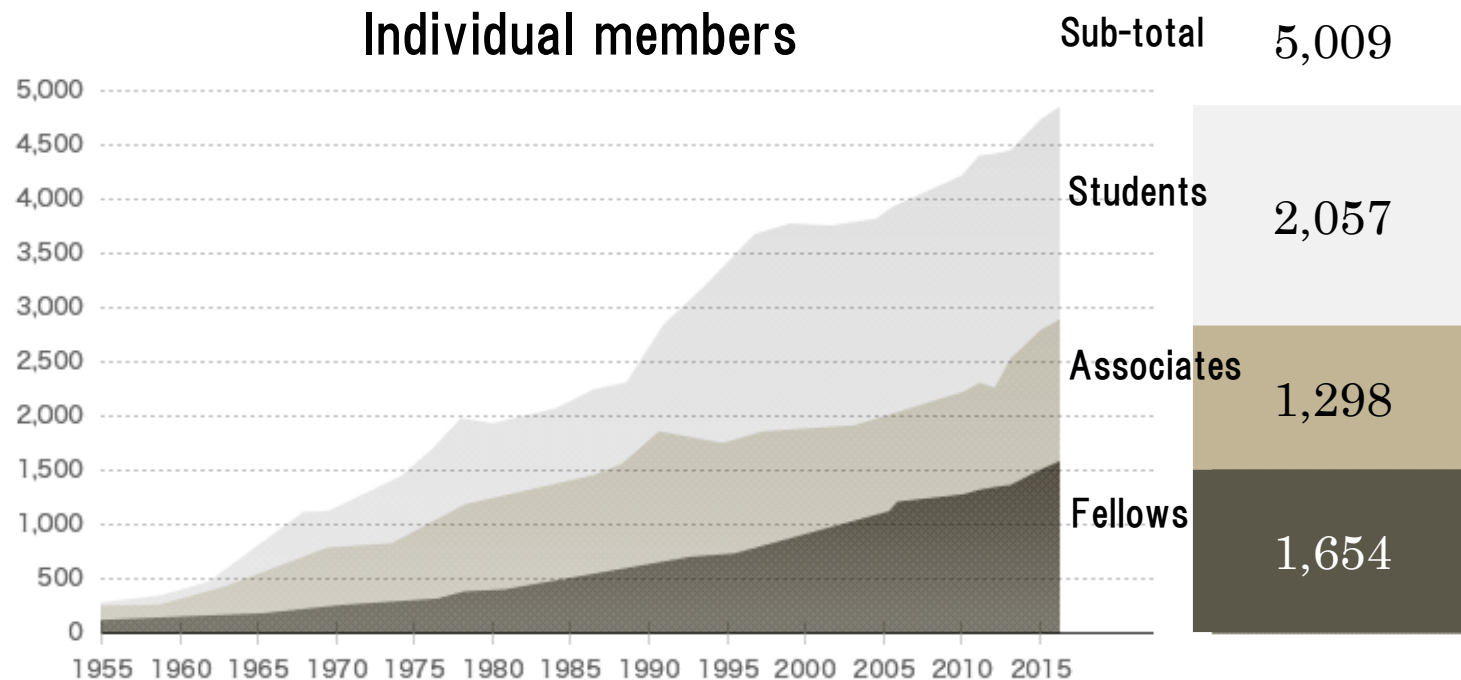
Overview

The Institute of Actuaries of Japan (IAJ) was founded in 1899 and has a long history of about 120 years.

The history of the IAJ is also the history of the insurance and pension business in Japan.

Overview

The number of the IAJ members : over 5000



Overview

Subject of this session ;

The IAJ and the Japanese market
from the past to now and the future

The time of our establishment

Meiji Era ;

- The modernization of Japan began to open.
- The whole of the society was reborn.
- The revolutionary change and the completely new business came out in all industries.

The time of our establishment

The establishment of the legal system

- The Civil Law Act was enforced in 1898.
- The Commercial Law Act in 1899.
- The Insurance Business Law in 1900.

Messages from our founder

Mr. Tsuneta Yano ;

- One of our founders
- The first president of the IAJ



Source: IAJ 100-Year History

Messages from our founder

The purposes and activities of establishing the IAJ

1. Study and research of actuarial science to develop Japanese life insurance business
2. Research on actuarial science in advanced foreign countries
3. Role of an advisory body as academic experts in considering Insurance Business Law and its enforcement regulations

Discussions in early days

The issues for discussions were what were considered the way of insurance system.

The IAJ

- has contributed to insurance science in general, mainly in actuarial science.
- played an important role of an advisory body as academics and experts in establishing the first Insurance Business Law.

Discussions in early days

Mr. Keijiro Okano, commercial law scholar said ;

“Actuaries are indispensable steersmen for the management of life insurance companies like a compass in a faraway voyage.”

Today in 120 years, the forerunners' will is succeeded to the purpose and activities of the IAJ.

Discussions in early days

In 1936 the IAJ started the **qualifying examinations** for the actuarial profession.

In 1940 the certified **appointed actuary** for each insurance company was introduced by the law.

Expansion in our field

In the early stages, the life insurance field was the center of activities for actuaries.

In the 1960s the activities expanded to the pension and the non-life insurance field.

Expansion in our field - Pension

The trigger ;

preferential treatment system of tax
for corporate pension plans

In this treatment it was required to be based
on appropriate pension actuarial science.

Expansion in our field - Pension

The Employee's Pension Fund Plan (1966)

The roles of actuaries as actuarial experts ;

- sound management of each pension plan
- appropriate pension actuarial science

The requirement of certified pension actuaries was introduced by law in 1988.

Expansion in our field - Non Life

The modern non-life insurance business in Japan started at the same time or somewhat earlier than that of life insurance business.

Under the influence of the global discussion (ex. ASTIN), some members of the IAJ have been engaged in this field since the 1960's.

The period of high economic growth

From 1950s to 1970s ;

The period of high economic growth

- The business field of actuaries also expanded.
- In each field the presence of actuaries was recognized as essential and important.

The period of high economic growth

The IAJ revised its constitution in 1989.

- to clarify the characteristics as **professional** in addition to **academic**

Revision of the Insurance Business Law

Discussions aiming at drastic revision of the Insurance Business Law began in the latter of 1980s.

The basic direction of discussions was toward ;

- **Liberalization**
- **Globalization**
- **Deregulation**

Revision of the Insurance Business Law

Liberalization and deregulation needed a condition for ensuring the **soundness** of the insurance company.

Discussion issues for new concepts such as ;

- **Solvency regime**
- **Standard valuation system**
- **Confirmation of reserving and dividend by appointed actuaries**

Revision of the Insurance Business Law

The IAJ had worked on developing **the Code of Professional Conduct** for actuaries.

- Investigation, research and discussion at the CoPC Committee
- Lecture meetings and training sessions for all members
- Two exposure draft procedures

Code of Professional Conduct was established in 1994.
Disciplinary process was developed in 1997.

The refined supervision framework

The fundamental revision of the Insurance Business Law came into effect in 1996.

In 2000, under the refined framework, the IAJ was entitled "**Designated Corporation**" by the supervisory authority, FSA-Japan prescribed by the law.

The refined supervision framework

As the designated corporation, the IAJ has two roles as follows ;

1. Development and review of "**Standard Mortality Tables**" in the standard valuation system
2. Development and review of "**Actuarial Standards of Practice for Appointed Actuaries**"

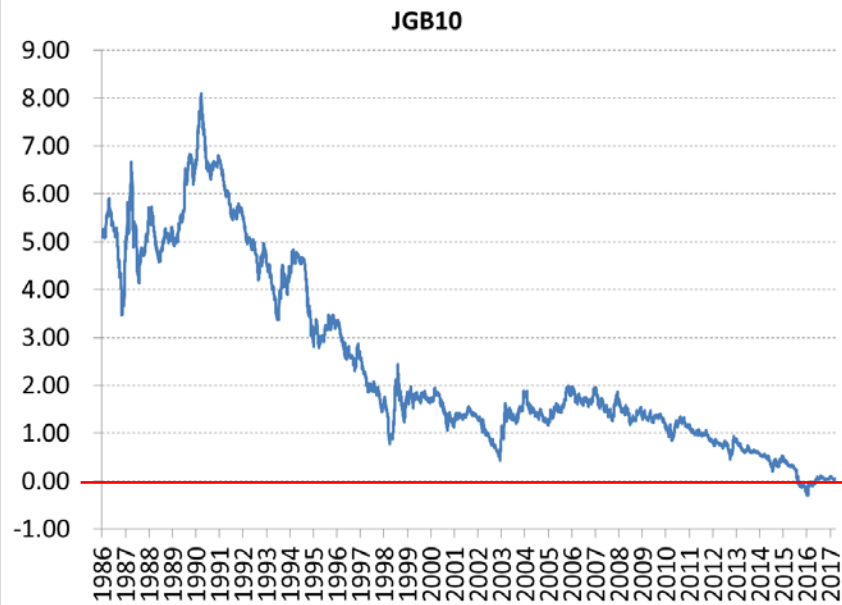
Bubble Economy & Ultra-low interest rate

The late 1980s ; Entering “**Bubble Economy**”

The early 1990s ; **Collapse of the Bubble**

- Financial markets became turmoil and sluggish.
- Interest rates also declined.
- Some major financial institutions of banks and securities companies went bankrupt.
- 10 bankruptcies of insurance companies occurred.

Bubble Economy & Ultra-low interest rate



Source: Website of Ministry of Finance, JAPAN

- Low interest rates have been continuing.
 - Now, in an ultra-low interest rate situation.
-
- Japanese actuaries have been required to have careful consideration and judgment over their business.

Enterprise Risk Management

Such a tough economic environment

⇒ The importance of **Enterprise Risk Management (ERM)** has been recognized.

The aim of ERM ;

to achieve greater value for all stakeholders by assisting in achieving an appropriate risk-reward balance.

Enterprise Risk Management

The IAJ introduced the examination system of CERA.

CERA : Chartered Enterprise Risk Actuary

CERA is the most comprehensive and rigorous globally-recognized ERM qualification.

Big Data / Data Science

One of the big issues in the near future ;

Big Data / Data Science

Advanced technologies and Big Data

- the possibilities of new business
- major revolution of existing business

Big Data / Data Science

The process of Actuarial Work

- ✓ Analyzing a large amount of data
- ✓ Modeling
- ✓ Predicting the future
- ✓ Judging things

Many parts in this process are

- based on statistics.
- the fusion of information engineering and actuarial skills.

Big Data / Data Science

The IAJ

- works on this new field energetically.
- is keen to contribute to the development of the field of Big Data / Data Science in Japan.

Professionalism

For such a new field **Professionalism** is indispensable.

Whether it is traditional or new,

Actuaries are responsible for performing with Professionalism.

Professionalism

The IAJ has been long engaged in making the framework of professionalism ;

- Code of Professional Conduct
- Disciplinary System
- Practical Standards
- Continuing Professional Development

Professionalism

Along with the change of the times, it is expected that the business field of actuaries will further expand in the future.

The mission of actuaries and the IAJ is to maintain professionalism, and to contribute to the public interests.



Thank you for your attention.