

SUMMARIES OF RESEARCH DISCUSSION PAPERS

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EVALUATION OF THE PERFORMANCE OF LIFE COMPANIES IN MALAYSIAN CONDITIONS

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THE central objectives of this paper are to provide a brief outline of the methodology, and to recommend a practical reporting framework, in evaluating the performance of life offices in the context of a with-profits (participating) environment. The perspective adopted is slanted to those of the shareholders and the management of the life office. These parties need to understand the peculiar pattern of the financial flows of life insurance products, which are very different from other products, and the parameters which they need to control in order to maximize the performance and value of their companies.

A single policy is used as an illustration for profit testing and sensitivity analysis. Some questions relating to the conflict of growth objectives and the desire for the early profits of the overall life fund are also discussed.

The statutory rules governing shareholders' transfers from a with profit life fund are explained.

The concepts of the Capital Strength and the Appraisal Values of a Life Fund to shareholders are introduced and explained.

The author concludes by recommending a comprehensive reporting system embracing short and long term performance measurements of life offices as a practical management tool for both managers and shareholders of life offices.