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An Update from Haiti

by Pascale Elie



In Haiti, there may be only one official practicing actuary. Major insurance companies operating in the country are mainly brokers of foreign companies with actuarial support abroad.

The insurance and pension fund sector is very basic in Haiti and essentially not regulated. The legal infrastructure is obsolete and inadequate. Despite significant expansion in the banking sector in recent years, the capital market is still very much in its infancy stage with only a narrow range of financial instruments to offer investors. Under these conditions, companies investing the technical reserves and accumulated contributions have limited local opportunities for investments that are likely to ensure some guarantee against the risks of insolvency, liquidity and devaluation in the exchange rate.

An extensive study completed in 2002 on insurance and pension was conducted by a consulting firm in Haiti, Capital Consult S.A., in collaboration with Gowling, Strathy and Henderson and financed by Inter-American

Development Bank. The following information was found:

1. State Insurance (compulsory)

Compulsory state insurance companies are:

- 1.1. Employers' Liability Insurance, Health and Maternity Insurance (OFATMA – *Office d'Assurances Accidents du Travail, Maladie et Maternité*)
- 1.2. Old-Age Pension (ONA – *Office Nationale d'Assurance-Vieillesse*).

The pension formula of ONA is a "defined benefit" type, and offers three types of products:

- Old-age pension
- Savings and loans
- Mortgage loans

In 1998-99, ONA collected income of approximately 217.65 USD (3,637.00 Haitian Gourdes) per insured. The return of the fund depends on the individual loans, the mortgage loans, loans to the government and investment in financial institutions.

- 1.3. Finally, there is the Public Liability Insurance for Automobile (OAVCT – *Office d'Assurance Véhicule Contre-Tier*)

The first two are administered by the Social Affairs Ministry which specifies the covered risk, the conditions of eligibility, the amount of the contributions and the insurance benefits. Contributions are made by the employer and represent a percentage of the employee's salary. The OAVCT is under the supervision of the Ministry of Finance and Economic Affairs.

2. Private Sector Insurance

Insurance companies are governed by the Code of Commerce and have to be domiciled in Haiti. The Secretary of State for Finance and Economic Affairs is charged with regulating the insurance companies operating in Haiti. Finally, to be an authorized insurance broker, it is necessary to have a work permit from the Commerce Department.

The regulation of insurance companies in the Code of Commerce should be revised because it is completely outdated.

In 2000, 40 insurance companies were authorized to operate, from which 24 were set up with foreign capital and 16 with local capital. Thirteen of the companies with Haitian

Capital are active, while nine of those with foreign capital are active.

The insurance companies cover a wide variety of risks:

Casualty Insurance

- All-risk home insurance
- Liability insurance
- Automobile insurance
- Transport insurance
- Credit insurance
- Bankers blanket
- Surety bond

Personal Insurance

- Life insurance
 - Pure endowment life insurance
 - Term life insurance
 - Mixed insurance (This is a combination of pure endowment with a term life and is most popular.)
 - Waiver of premium insurance (This an option offered with a life insurance contract that covers the policyholder in case of sickness or disability.)

Health insurance

- For companies allowed to operate in Haiti selling group health insurance, their policyholders are large commercial companies (private and/or public), NGO and international organizations. For individual health insurance and small groups, the policyholders are small to medium companies, families and self-employed.
- The usual benefits are accidental death, amputation, medical fees and hospital care.
- For offshore companies, they offer two kinds of policies:
 - Conventional health insurance policies are usually bought by large families with high income. It covers charges in foreign countries for general hospital and medical fees, prosthesis, hospital rooms, maternity care, etc. The particular attraction is that they cover care in a foreign country and ambulance transport (because of the deficiencies in the health system, families prefer to receive care abroad).
 - Short-term speciality risk policies are travel insurance and cover medical and doctor fees, medication, hospital fees, etc.
- Health Maintenance Organizations (HMO) and Preferred Private Organizations (PPO)

- HMO is a group health plan and covers medical fees with the condition that they receive care from affiliated doctors and hospitals.
- PPO differs from HMO in that the policyholders may receive care from providers of their choice.

The group health insurance market covering mostly employees from public corporations is almost three times that of the individual health insurance market. Individual health insurance coverage is supplied mostly by offshore companies for a small group that can afford it.

Because of the absence of local regulation and control, each company writes its own policy contract using foreign examples. However, these contracts need modification for local conditions.

Reinsurance

- Proportional reinsurance: quota share and surplus share
- Non-proportional reinsurance: excess loss and stop loss

In 2000, insurance cover for the private sector represented 666 million Haitian Gourdes (31.5 million USD).

The Association of Insurers in Haiti (founded in 1986) has members from the profession: individuals or insurance companies. This association is not recognized by the government and has no official jurisdiction.

3. Retirement Pension Fund for the Public Sector

Any public servant who has 25 years of service in the public sector, has been contributing by salary deduction and has attained 55 years, may benefit from the Retirement Pension Fund for the Public Sector. It is a defined benefit pension payable for life with a death benefit. It is the only standalone pension fund allowed by ONA. Usually contributions can go up to 6 percent by employees and 6 percent by employers. The members have access to loans on contribution balances in case of emergency, for school fees and mortgage. In 1998, the fund balance was at 462.8 million Haitian Gourdes (around 21.8 million USD).

The rate of return on the contributions is very poor due to weak interest rates and low recovery of loans. The income of the pension fund consists of returns from bonds, real estate investments, loans to members, term deposits, etc. The net rate of return is between 2.8 percent and 6 percent.

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office), to consequences after returning (a length of stay in the United Kingdom can exclude you from donating blood).

Don't forget the actual move. The physical move was handled by professionals, but preparations before each move were tiresome, and nearly impossible those few evenings before leaving, when everyone wants to see you "one last time." Overall, I found the move out, for a temporary stay, easier than the final move back.

Travel counts as both a plus (vacations, weekends) and a minus. Airports are not my favorite place (more of a workout than a rest); and I do not like being cooped up in an aircraft longer than necessary, but if you travel a lot for business, you could find yourself spending 40 percent of your time in an aircraft, and not all of it in the skies.

There is also the culture change. Although best viewed as a positive, it becomes interesting when the unexpected differences appear. Like waiting for the bus that has decided on a different route that morning, or the shop that has closed because the local team is playing. Sometimes the shock goes the other way. All the things you end up growing accustomed to are not here when you get back. For example, dependable rail service, local radio broadcasts, quality of news broadcasts, greater selection of music CDs, the local off-license, favorite restaurants, to name a few.

So what lessons have I learned? That nothing beats physically being there. That everybody's the same, everybody's competent and everybody's more or less trying to achieve the same goals, no matter where you go. That many of the same problems still exist; they just look different.

What it Adds to Home Experience

You will find that several of your individual capabilities have been enhanced.

Confidence – You begin by taking home knowledge gained abroad, and that expertise flows into your local work. You build trust with your new colleagues, they increasingly rely on you and that does a lot for your confidence.

- Specific and general knowledge – Whether it be a different software package, local financial standards, or overall company procedures, this allows you to become a central resource, sometimes the local phone directory, sometimes the senior liaison officer.
- Further human contact and exposure— Putting names to faces within the organization. People approaching you with questions: Who's the ALM guru over there? When does so and so leave for the day? How should I go about doing...? What's your opinion on...?

In summary, I hope that I've presented some views that will encourage readers to work abroad, and at the same time provide helpful advice to make it a successful and enjoyable experience. □



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All of these pension funds show an actuarial deficit, based on the last actuarial valuation in 1997.

4. Private Retirement Saving Funds

Private retirement savings funds are governed by internal contracts and do not benefit from the legislation. They are not a true pension fund but more an obligatory savings account. Out of all employers, only banks usually offer a retirement savings fund which is administered by the human resources department.

Contributions vary between 8 and 12 percent of salary and are paid by employee and employer in equal proportions. Until 2000, many banks had an agreement with ONA to reduce contributions to ONA (which is compulsory); now ONA

states all employers pay the mandatory contributions to the fund.

All contributions are converted into USD and invested in an individual savings account where the interest rate is the highest paid on time-deposits at the bank. The return is around 6 to 7 percent per annum.

At retirement age or earlier cessation of work, the contributions are paid back to the member with accumulated interest: 100 percent employees' portion and a certain percentage of the employer's portion depending on the number of years of service.

In 2000, there were 57,000 subscribers with more than half a billion Haitian Gourdes of accumulated contributions (\$23 million USD). □



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