



SOCIETY OF ACTUARIES

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Ambassador's Corner

Editor's Note: The "Ambassador's Corner" will feature regular reports from our Ambassadors on activities in their respective countries. In this issue we are pleased to include Jill Hoffman's report on 2010 actuarial activities in Singapore and Cathy Lyn's report on the 2009 activities in the Jamaica.

SINGAPORE AMBASSADOR UPDATE

By Jill Hoffman

I want to give you an update on the actuarial activities happening in Singapore over the next year.

SINGAPORE ACTUARIAL SOCIETY (SAS)

- March 26: Annual General Meeting & Annual SAS Dinner
- May 6-7: General Insurance Conference
- June 7-9: 2nd Health Insurance Conference: Public Private Health Insurance Partnership
- October: Joint Life Insurance Association and SAS conference
- December: Appointed Actuary's Seminar

Please see the Web site at www.actuaries.org.sg for more details.

SOCIETY OF ACTUARIES

- TBD: Session on the new CPD rules and submission
- TBD: Drinks night

Please let me know of any interest in the above SOA events. I look forward to seeing you.

NEWS FROM JAMAICA

By Cathy Lyn

I am pleased to tell you that we have had a variety of events here in Jamaica which has raised the profile of actuaries in Jamaica over the last

year. Many of them have been held in conjunction with organizations in related disciplines. This is a good sign that we are integrating. Almost 40 years ago our first Jamaican actuary who acquired her fellowship in England returned home and started practicing in Kingston. Today, we have about 17 fellows working in Jamaica and about 50 fellows in the Caribbean. We are still small in number compared to the accountants and the lawyers but we would like to add some positive influence to the financial sector. Here are some of the events during the past year in which the actuaries played a part.

The University of the West Indies Actuarial Society (UWIAS) hosted its third annual Awards Ceremony and Dinner on Sunday February 28, 2009 at the Hilton Hotel. This provided an opportunity for interaction between actuaries, employers and actuarial science students, whilst honouring top students for excellent academic performance. The attendance was the largest so far with about 100 persons and an increased number of sponsors. UWIAS invited Mike McLaughlin, then president elect of the Society of Actuaries, to give the keynote address. Everyone listened with interest as Mike gave an account of his actuarial career which started as a programmer with an international insurance company that serviced business in many other territories from their Kingston operation.

For Mike, this was his first official visit to his homeland and he had a busy week end of appointments. We are very proud to have a Jamaican elected as president of the Society of Actuaries, the largest professional body of actuaries in the world. When Mike arrived, we squeezed in a meeting on the first night with the executive committee of the Astronomical Association of Jamaica. Mike is an amateur astronomer and they had a good time sharing photos of the skies and eclipses they had

CONTINUED ON PAGE 28

Ambassador's Corner | from Page 27

seen. The next morning Mike started his day with two radio interviews, then a tour of the University of the West Indies (UWI) Mona campus (where he had completed his undergraduate studies in Physics) and afterwards taped a television interview in the afternoon. The day ended with an interesting presentation on Emerging ERM Practices to the Caribbean Chapter meeting of the Global Association of Risk Professionals here in Kingston. We had a grand turnout of about 60 persons in the risk management field.

Following Mike's visit to Jamaica, he arranged the Caribbean Actuarial Scholarship in memory of Basil L. and Monica G. Virtue, his wife's parents. This scholarship is administered by the Actuarial Foundation and is intended to be an annual award to UWI actuarial student(s) who demonstrate a strong record of accomplishment, leadership qualities and a commitment to becoming an actuary. The first two scholarships were granted to Sheldon Lewin and Shauna-Kay Miller in July 2009.

In July 2009 we had a visit from Randy Bauslaugh, a prominent pension lawyer in Toronto. During this visit a leading local law firm decided to put on a seminar on Recent Developments in the Pensions Industry breakfast seminar joint with a leading consulting firm of actuaries. The speakers gave international and local legal perspectives of topical pension matters and Cathy Lyn, a local consulting actuary and then, president elect of the Caribbean Actuarial Association (CAA) was invited to speak on Plan Design and Employer Risks. The invitation list for an exclusive audience of thirty only gave people two days notice to respond and over 70 persons registered!

One of our providers of administration and investment services for pension funds partnered with The Private Sector Organization of Jamaica to host a Pension Seminar: Pension Plan Types and Annuities, The Impact on Needs and Risk in Retirement on September 29, 2009. Two actuaries were among the speakers invited to present;

Rod Marshall from the United Kingdom spoke on Moving away from DB—issues to consider and Cathy Lyn from Jamaica presented on Trustees' Challenges. This seminar was very well attended with trustees, sponsors, administrators, investment managers, attorneys, regulators and actuaries in the industry.

Not all activities take place in Jamaica. On September 10, 2009 the Institute of Actuaries had a Caribbean evening at Staple Inn to celebrate the unveiling of the crest donated by the CAA. There was much revelry in the great hall with limbo dancing accompanied by a steel band. The Caribbean has close ties with the Institute since the first generation of local actuaries did the Institute examinations and several actuaries from the United Kingdom have worked in Jamaica and Trinidad over the last 40 years.

The Caribbean actuaries flocked to Boston to celebrate Mike McLaughlin taking office as president of the Society of Actuaries. About 20 Caribbean actuaries, who work in the Caribbean and overseas, filled two tables at the Presidential luncheon on October 26, 2009. It was a marvelous reunion. This group included Daisy Coke, a founding member and the first president of the CAA, Astor Duggan, a past president of the CAA, Horace Johnson, secretary/treasurer of the CAA, Ronald Poon Affat, newly elected to the SOA Board of Governors, John Robinson, president of the International Association of Black Actuaries and Cathy Lyn.

Recent Pension Reform upgraded the operation of approved retirement schemes in Jamaica. These are the formal arrangements which allow individuals who are not members of employer sponsored pension funds to save for retirement with income tax concessions. The Financial Services Commission arranged a Pensions Expo on November 3, 2009 for the public. Two actuaries were invited to speak; W. St. Elmo Whyte and Cathy Lyn who were president and president elect of the CAA re-



New Kingston Photo by Ray Chen

spectively at that time. Many organizations who offered approved retirement schemes took the opportunity to be sponsors and showed their products to the audience. There were speakers through the day who made presentations. We heard the common message that everyone should start saving for retirement early and throughout their working life. However, the majority of the audience looked as if they had already retired and probably wanted tips on how to manage on fixed incomes in a high inflation environment.

More congratulations are in order. For many years the CAA has been talking about conducting a Caribbean mortality study. We are pleased to let you know that about four companies have submitted data to participate in the Experience Study service sponsored by the International Section. A preliminary report was made at the CAA annual conference in Jamaica last December. Three more companies have expressed an interest so we hope they will accelerate the pace and submit data soon.

Retirement has been a popular topic for seminars as financial institutions compete to manage the savings. W. St. Elmo Whyte was invited to speak on several occasions on personal financial planning, particularly with reference to retirement. He has published a book on the subject to provide a source of material with local content. He has also spearheaded group medical cover for groups of individuals as an alternative to employer sponsored medical plans.

The 19th annual conference of the Caribbean Actuarial Association was held in Jamaica on December 3–4, 2009. This turned out to be our

largest conference with 180 persons registered, 33 speakers and 18 sponsors. (For more details, see the article in this issue, “CAA Crossing Boundaries.”)

GARP Caribbean has invited actuaries visiting Jamaica to speak at their chapter meetings. This has opened up the discussions on risk management to areas other than financial risk and some searching questions have arisen during Q&A sessions. On December 7, 2009, Mr. Christopher David Daykin, retired U.K. government actuary spoke on Risk Management of Social Security and Employer-Sponsored Pension Plans and Helen Gregson, staff actuary, The Actuarial Profession, presented on Risk Management—An Actuarial Spin on Managing Employee Health Risks. Both topics are very relevant for a community that does not have a government sponsored welfare programme. Average earnings for the working population are about US\$170 weekly so dealing with retirement and medical needs is critical for a large majority of the population.

In January 2010 the Jamaican government found their bonds rated CCC minus from Standard and Poor with a falling outlook. The public debt stood at \$1.27 trillion or \$423,000 per person (Aug 2009) with the following breakdown: Local portion issued in Jamaican dollars: \$713.17 billion and External portion issued in US dollars: \$558.1 billion. The fiscal deficit was \$65.8 billion or 5.9 percent of GDP (April to Sept. 2009) and increasing at an uncomfortable rate. It was clear that the

CONTINUED ON PAGE 30

Ambassador's Corner | from Page 29

government could not service the existing debt and could not manage to borrow at ever increasing rates (over 20 percent per annum about a year ago and lowering to about 17 percent per annum with persuasion but the climate was very unstable) to pay existing commitments.

Interest costs were of the order of 45 percent of fiscal revenues. The Jamaican government went to the International Monetary Fund and decided to do a debt swap. They asked all holders of Jamaican dollar debt to consent to a swap for new bonds issued with lower coupons and longer terms to maturity with a better spread of dates (about 11 percent per annum at the short end and 13.25 percent per annum at the long end). In addition, they reduced the number of bonds to improve the secondary market. The success of this action depends on whether the government will contain and reduce the fiscal deficit to gain market confidence with a sustained fall in interest rates and inflation and increased productivity.

The interesting part of this exercise is that the government did not have any dialogue with the pensions industry before the swap was announced. There are about 1.4 million persons in the working age group. Occupational pension funds only cover about 60,000 of these persons and their funds likely hold about one seventh of the local debt. Strengthening the retirement system and increasing coverage for retirement will mean these savings are a good source of long term capital the government should not ignore. When the government borrows these retirement savings, using these funds for capital projects to increase productivity should be a priority. So far the behaviour pattern has been to borrow these funds for consumption so it will take hard work and a lot of discipline for the leaders to change their way of managing the country's finances.

After the announcement of the swap, the pensions' working party of the CAA Jamaica Chapter

worked hard and quickly to tell the pensions industry and the public the aspects that they could ask to be investigated to assess the impact of the swap on the funds, their beneficiaries and their sponsors. We supported the debt swap and the move to lower interest rates on a sustainable basis. The media welcomed this input and we were able to give the public some pointers through the press release, radio and television interviews. The debt swap has been successful.

Many pension funds are overweighted in Jamaican government securities given that they have a likely risk of default. This risk could be mitigated by reducing the exposure and using more diversification both by diversification by country and diversification by other categories of investment. However, the choice of investments in other categories is small and the markets are small and the legislation restricts investment overseas. Also, the Regulations only allow investment in overseas government securities with an A grade while the rating of Jamaican government securities is lower and unlikely to be A grade in the near future. The snag is that the regulators and the Statements of Investment Policies and Principles treat securities issued or guaranteed by the Jamaican government as risk free. It may be time for trustees to voice discomfort and ask the regulators to consider acknowledging this risk. The argument that everyone is in the same position if asset values disappear is little comfort. There is a solution for the Jamaican government to set the stage to improve macroeconomic stability, reform the tax system, create an enabling legal and regulatory environment, reform industrial, trade and investment promotion policy then all Jamaicans can improve productivity. □