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# The 18th Global Conference of Actuaries

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The 18th annual Global Conference of Actuaries (GCA), held at the Renaissance Hotel in Powai, Mumbai, India was a grand success once again! Unlike the previous few, the 18th GCA did not have any specific theme and thereby it was furthered in terms of the subjects being debated and the speakers who had participated. The success of the event can be credited to the hard work of the GCA Committee members, chairperson of the GCA, delegates and all the members associated with the Institute of Actuaries of India (IAI). Over 700 attendees enjoyed sessions that touched upon the key actuarial practice areas of life insurance, general insurance, pensions, health insurance and other general topics over these two days. Special guests included Craig Reynolds, president of the Society of Actuaries.

The inaugural session kicked off the first day, where the chairperson of GCA delivered a heartfelt welcome address to all attendees. The president of the IAI also welcomed the audience and thereby set the scenario for the talks and discussions being held during the day. During this session, participants were informed of the view from the Casualty Actuarial Society and global trends in life insurance. The session ended with a vote of thanks.

After the tea break, the plenary session chaired by Ms. Fiona Morrison, the president of the Institute and Faculty of Actuaries, brought to light current issues in the profession and our industries internationally, an analysis of macro trends in Asia and their impact on life insurance products. It captured aspects covering bancassurance, insurance penetration and related investment in the Indian market. SOA member Carl Hansen outlined the current challenges in the pension industry. Sources of income at retirement, the government role in providing social security schemes, the effect of cutting down the civil pension cost and changing tax legislation are combined with growing expenses due to the demographic dividend, lower interest rates, and increasing investment volatility. Growing dependence on working in retirement as a source of income was an eye opener for pension providers. Still the opportunity lies in the hands of actuaries because of their ability to understand the nature of current problems and act accordingly for implementation of various standard tools, techniques, and strategies to mitigate them.



After lunch, concurrent sessions allowed for more detailed discussion on key practice areas of life insurance, non-life insurance (including health insurance), enterprise risk management, pensions and other employee benefits. Some of the unforgettable discussions in the life insurance session covered products currently available and their valuations with some challenges that are faced, along with the use of data science. Important topics were the duties and obligations of Appointed Actuaries, required certifications for the Indian regulator (IRDA), and challenges faced while designing and pricing products.

The concurrent session covering non-life insurance and health insurance was also very informative. It covered major reserving and pricing issues along with other regulatory issues. The interrelationship of technology, insurance and human nature were laid out superbly, supported by the fact that growing use of technology made people physically inactive. The talk highlighted how insurers are using people's interest in their wellness to help them create demand for insurance. Later, the importance of trend analysis for morbidity in modelling of health and critical illness products was also discussed, addressing the underlying risks and the effect of changing risk factors, both in the context of best estimate and sensitivities for solvency requirements on guaranteed products. This information is further enlightened by the fact that trend research cannot be done on data alone, it requires expert knowledge to understand the underlying risks, data and underlying (past and expected) environmental changes.

The concurrent session for pension and employee benefits prepared the stage for the upcoming accounting standard, IND

AS19, in light of the role of actuaries in its development and implementation. The accounting and actuarial aspects were explained, presenting the main objectives—significant changes and additional requirements against the existing standard (AS15), and eventually its impact on a company's financial statements. Thereafter, the actuarial involvement towards defined contribution plans along with emerging opportunities and frameworks for managing employee benefit plans were covered. The challenges of lack of education, readiness to retired life, the suitable level of income which will be needed and the tentative net replacement ratio in India were revealed in depth.

All the sessions on the first day of this event ended with a tea break giving individuals an opportunity to meet and share views, and discuss problems or issues with other delegates and speakers—many of whom are experts in their field. This conference is not only about practicing members of the industry but also for the development of student members of the IAI. The IAI Student Event following the final tea break was a very comprehensive session about personal development, the needs and expectation of the industry, living as a professional, and above all key business skills needed to succeed as an actuary.

The Actuarial Gala Functions and Awards (AGFA) Ceremony followed by the student session was the most awaited session for all student members. This coincided with the 73rd Anniversary of the sponsoring firm, M/s K.A.Pandit. Mr. DK Pandit, a senior partner with the firm, gave a welcome speech. It contained a skit and dance performance enjoyed by all. Later, the award ceremony recognised students scoring the highest marks on exams during the year, Academic Excellence Awards in various subjects, Asia Academic Excellence Awards, and Awards for associateship and fellowship. Two awards for extraordinary performance, the Principal Financial Group Award for completing Associateship within 3 years and the Meena Sidhwani Award for completing Fellowship within 4.5 years are usually given at this event, but unfortunately there were no eligible students this time. Day one ended with a lovely cocktail reception and dinner.

Day two started with a plenary session discussing the financial inclusion policy of the government of India through banking and insurance. The ruling government of India has made a few changes to their fiscal policy illustrating the social responsibility of the government to fulfill the needs of both industry and society. Some of the fundamentals and importance of applying and using expert judgement in actuarial forecasting was also discussed. The background and key elements of Solvency II were presented, explaining various developments and likely implications of its application by stating its consequences and challenges for insurers and regulators. At the end of the session, some key techniques for actuarial modernisation were introduced by SOA member Darryl Wagner.

Post lunch, the concurrent session on life insurance covered the principles-based features of New Solvency, emphasising business diversification mainly integrated into a risk management framework. The session also elaborated practice across the globe such as China Risk Oriented Solvency System (C-ROSS) in terms of its structure, presence of risk and its classification along with the regulation update in the developing market. Discussions were also held on the Regulatory Framework & Solvency Margin calculation under Risk Based Capital (Japan), along with company's participation in Quantitative Impact Studies (QIS) to calculate the economic liability. In addition to the existing frameworks, the potential impact in light of Risk Based Capital II (Singapore) and Risk Based Capital (Hong Kong) were also communicated. In the later part of this session, the impact of recent changes in regulation and their implication in the industry were laid out effectively by examining the aspects which are needed towards Value at Risk, earning less than Risk Discount Rate (RDR), percentage reduction in dividends, and Embed-

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ded Value. Further, there was some debate over allowing swap arrangements in product pricing by the insurance company to lock in the future yields at the outset, to help them eliminate the future interest rate risk during the tenure of the swap. The debate stretched over by indicating the challenges with respect to limited derivative instruments, lack of expertise, loss on unwinding, operational difficulties and the accounting treatments. As a result, the macro economy and long term interest rate trends were discussed.

The concurrent session on non-life and health insurance was also informative and thought provoking. It started with the introduction and overview of various products. Regulations were discussed and explained, along with the top challenges and opportunities in non-life insurance in India. The next subsection discussed the insurer's obligation towards rural social sectors and thereby evaluating actual inclusivity of ten leading Indian insurers from both rural and social sectors, with the help of Z-statistics reflecting the ratio of rural average to urban average. One presentation was based on the health insurance penetration level in India which is affected by poor distribution channels, lack of education, a very young population, people's beliefs, and

cultural diversity. The presentation suggested a few measures such as working toward financial literacy among the masses, product innovation with transparency, social security programs, and effective regulations which can help India reach the optimum level of penetration. The last topic discussed under this session was an overview to the world's leading specialist insurance market, Lloyds—covering current syndicates, its structure, corporate governance, the performance management framework, and financial strength and security.

The third concurrent session was based on data science. It covered the significance of predictive modeling and analytics in the insurance industry and its impact on the actuarial profession. The session also educated attendees about quantifying operational risk of the banking industry. In addition to data science, the session introduced the concept of a Gold Backed Pension Product (GBPP) in an Indian scenario implying intergenerational transfer of resources by assuming family as the basic economic unit and illuminating a trend analysis of gold prices in India. The topic also covered potential design of the pension annuity, whether in currency or in grams of gold under

the operating definition of gold that one adopts. The alternative GBPP faces further operational challenges such as valuation of the GBPP, fund management, and the legal environment.

Finally, the conference ended with a student session on tips to prepare for actuarial exams and how reading the question, studying actively, starting studies early, focusing on weak areas and questioning can help students pass the examination. The session also highlighted the key business skills one should possess to succeed as an actuary.

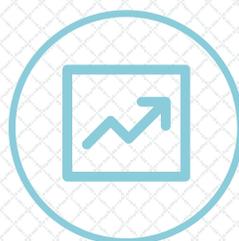
As usual, the 18th GCA was more than a conference. It was all about seizing opportunities to learn from and network with other professionals to imbibe knowledge and develop professionally. ■



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