



SOCIETY OF ACTUARIES

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The Eighth Global Conference of Actuaries

by Binni Rana

Anubha Roy also contributed to this article.

I don't travel lightly to India.



As I prepared for the business trip, so did my family—and relatives—and friends. Not only did my family prepare presents to send to family in India but relatives and friends brought over “small” items to send as well.

I resisted. After a couple of bold declarations about refusing to be a courier, I arrived with two overloaded suitcases at Lester B. Pearson International Airport.

What was taking me to India was the ***Eighth Global Conference of Actuaries*** (Eighth GCA) in Mumbai.

I arrived at the hotel and venue, The Taj President for the two-day event starting March 10. The Taj President, a mainstay of the Mumbai elite, is located at the southern tip of Mumbai in the leafy, cobble-stoned Colaba district. The elegant, wood paneled interior seemed the perfect place for a gathering of actuaries and insurance professionals.

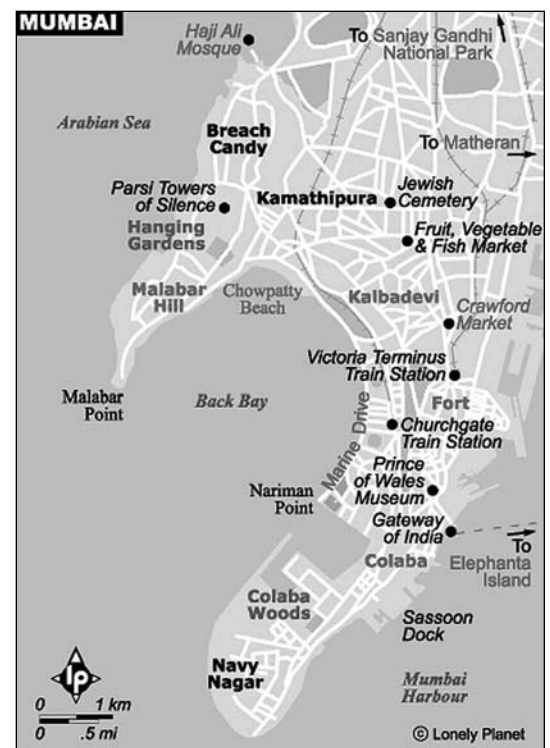
The conference was organized by the Actuarial Society of India (ASI) and sponsored by the International Actuarial Association (IAA). The opening ceremony was lead by Dr. Kannan, president of the ASI, Jean-Louis Massé, president of the IAA and other officials with the traditional lighting of the diya (oil

lamp). In this revered Hindu custom, light which symbolizes knowledge, removes ignorance as light removes darkness.

Graham Watson, CEO, RGA International presented observations on the Indian Insurance industry. Mr. Watson was also present in Mumbai for the stylish, Bollywood-like launch the previous night of RGA Services India Private Limited.

The keynote address was presented by Dr. Y.V. Reddy, governor of The Reserve Bank of India. He emphasized that reforms in the financial sector would continue to have the objective of maintaining stability in the economy through gradual changes and a focus on the long term.

It was announced that this Eighth Global Conference of Actuaries was for the first time organized by ASI alone, unlike previous years when the ASI was supported by the Federation of Indian Chambers of Commerce and Industry (FICCI). The ASI felt that its organization had grown to be independent. The conference went smoothly and pretty much on schedule, covering topics such as life,



non-life, health and pensions. Mr. Massé was impressed by the level and quality of participation.

Two plenary sessions followed the opening. In the first, Chris Daykin, government actuary in the United Kingdom addressed the current public scrutiny and the actuary's responsibility for "professionalism within the business context." He encouraged professional bodies, employers and actuaries themselves, to:

- Develop clearly defined standards, address norms of behavior and demonstrate professional competence;
- Have a vision;
- Be alert to problems surrounding the profession;
- Have a mature attitude;
- Be worthy of trust; and
- Go out of the way to limit **obfuscation** (*which wins my vote for the best word used at the Eighth GCA*).

The second of the plenary sessions was an insightful and entertaining look at the "interaction of other professionals with actuaries." This session presented views from a doctor's perspective, Dr. Phillip Smalley, RGA; a chartered accountant's perspective, Ramesh Lakshman and a lawyer's perspective, Mr. Varadarajan, Legal advisor to IRDA. Dr. Smalley pointed out that the interaction between actuaries and doctors would improve if actuaries:

- Increased the interaction and communication with doctors;
 - Took the time to frame the problem;
 - Explained it in a business context; and
 - Provided adequate time for a response.
- Lakshman began his speech with an amusing

joke and interspersed a few more throughout:

A priest advises his young protégé on a technique to keep an audience alert.

"When I am delivering a sermon and the congregation is falling asleep, I say, 'I have a confession to make.' The congregation then starts to shift in their seats a bit. Then I say, 'Last night I was in the arms of another man's wife.' Now they are all awake and I declare, 'My mother.'

The young protégé one day has his own congregation and they are nodding off so he decides to try his mentor's technique:

'I have a confession to make', he says. The congregation starts to shift in their seats a bit and the protégé sees the technique working. He goes on, 'Last night I was in the arms of another man's wife.' Now the congregation is wide awake, and all are staring up at him in shock. The protégé gets nervous and confused, 'But I can't remember whose wife...'"

After the laughter subsided, Lakshman went on to describe the interaction between actuaries and accountants both pre- and post-liberalization. He cited areas where both professions could collaborate:

- Risk management and quantification
- Financial modeling
- Evaluating valuation systems

The afternoon and most of the following day were split into breakout sessions covering life, health, general and non-life topics. **All papers are available to download from the ASI website, www.actuariesindia.org.** I will touch on a few to give you a flavor.

Sylvain Goulet, partner, Eckler Partners and co-presenter M.G. Diwan, partner, K. A. Pandit presented the first of the life papers on "Asset Liability Management and Innovative Investments." Through a Canadian case study,

He encouraged professional bodies, employers and actuaries themselves to go out of the way to limit obfuscation.

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Mr. Goulet covered the complexities of duration, convexity and some innovative investments that work particularly well to immunize the risk of asset liability mismatch. According to Indian regulation, the valuation basis must be determined based on future cash flows although ALM is not formally required.

“Investment Guarantees: Issues and Considerations for Life Insurers” by Sanchit Maini and Varun Gupta of Max New York Life considered the various types of investment guarantees in the Indian life insurance market. They examined the financial implications of offering investment guarantees on non-par and unit-linked products and illustrated the use of stochastic modeling.

The health sessions were dominated by discussions on critical illness. Sonjai Kumar, also with Max New York Life, presented India-specific conclusions, among them:

- Coronary Heart Disease (CHD) is more prevalent than cancer;
- Females have a higher heart-attack rate than males; and

- Incidence rates of strokes are very low as compared to the United Kingdom.

Cord Roland Rinke, associate director, Hannover Re talked in the second life insurance session about enhanced annuities in the United Kingdom. The paper gives a comprehensive description of the market and its reinsurance solutions. In the United Kingdom, sophisticated products have emerged, and Rinke expects further development spurred by IT-side improvements.

In the general session, Krishnaswamy R. Wipro, looked at IT developments specifically in “Insurance Actuarial Services—An emerging KPO.” His paper analyzes the potential for outsourcing actuarial services.

Chandrushekar Sankaran of HCL Technologies agreed that Indian IT firms are looking to add further value to their insurance clients. Some emerging processes that are being outsourced are underwriting analysis, actuarial, inspection and appraisal, and statistical reporting, including statutory and regulatory reporting.

A full day of presentations was enhanced by conversations during break over chai, North Indian and South Indian cuisine. One such conversation was with an elder gentleman. He, like many other senior ASI members, was pulled out of retirement upon liberalization to lend support and guidance to the growing numbers of new members. At the other end of the age spectrum, was a group of fairly young students from Narsee Monjee Institute of Management in what appeared to be their college uniforms. When I happened to start talking with one, I was immediately swarmed by the entire enthusiastic group. The students continued to show their enthusiasm at every opportunity throughout the two days. Is the actuary the new rock star? Well no, I guess not. These students, like many others, have been handed a previously non-existent opportunity, and they are working very aggressively to take advantage of it. Students Anshul Anand and Surendra Mahadik took the initiative to

suggest the introduction of weather derivatives into the Indian market in their paper “Weather Derivatives Pricing and Design Issue in India.”

At the end of the first day, an award ceremony was held for new fellows and honorees that showcased the camaraderie amongst the students in the ASI. Phanesh M of Tata AIG and Ashish Desai of Max New York Life received their fellowships with enthusiastic applause from their peers. Honored in memoriam this evening was Professor G. Diwan, who began teaching actuarial science in 1937 at Sydenham College in Mumbai. The late Professor Diwan’s son, Mukund G. Diwan, himself an actuary and co-presenter earlier in the day, accepted the honor for his father.

The final day of the conference began with a plenary session and a presentation by Denis Garand on “Pricing Micro Insurance Products,” a rapidly developing product that addresses the financial security needs of the poor.

Breakout sessions were again full. Mr. J. S. Salunkhe chaired the pensions session, which initiated lively discussions that carried over into the tea break. In this session, the debate was around pension and social security. The first paper presented was the “Role of Actuaries in Defined-Contribution Environment” by Mr. Gautam Kakar, life actuarial manager, HSBC Bank plc. Kakar suggested that DC schemes have less technical issues, but the members would need advice on financial planning to help them make a well-informed decision. The second paper was presented by Mr. Bhudev Chatterjee, appointed actuary, National General Insurance Company on “Defined-Contribution Scheme as opposed to Defined-Benefit Scheme.”

The session continued with Mr. Sateesh N. Bhat, student member of the ASI who discussed “Pensions for All.” He presented answers to some questions that will come to a person’s mind about saving for retirement during active service life. How much to invest? How many years to invest? At what rate to invest? The last paper was presented by Mr. S. P. Subhedar, senior advisor, Prudential

Corporation Asia on the “Challenges of Pay-out Phase in Defined-Contribution Pension Environment.” He stressed the differing needs of pension providers and pensioners. The industry is trying to evolve structured pay out products that would manage the conflicting requirements of both groups.

Mingling, the second day was a bit more relaxed, with visitors quickly adopting Indian influences. The intrepid Lesley Traverso of D.W. Simpson carried-off a burgundy sari beautifully. In the first plenary session, she presented “So How Many Actuaries Does India Need?” Traverso considered many of the factors influencing the demand for actuaries in India. As of May 31, 2005, there were 3,978 members of the ASI and it is suggested that the number is now around 5,000.

The Eighth Global Conference of Actuaries concluded with the Valedictory Session with an address from Mr. Anantharaman, member, Securities and Exchange Board of India. Jean-Louis Massé left the conference on a positive note impressed by the energy of the young people and the direction of the ASI under a good president.

Returning home I was one suitcase lighter, having delivered one in Delhi, but fully energized by new friendships, the warmth of relationships and the momentum of a new frontier.

I’ll keep two suitcases ready for the next trip. □



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