



SOCIETY OF ACTUARIES

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## The CAA Annual Conference 2000

by Peter Wrede

To put the 10<sup>th</sup> annual conference of the Caribbean Actuarial Association (CAA) under the motto “the emergence of a new era” may seem an obvious choice for the first conference in what many think was a new millennium. However, the organizers chose the speakers and topics carefully to make the motto valid beyond this obvious meaning.

The conference covered several areas which may be considered novel. One is the demographic strain on social security systems, and the privatization approach followed by many (primarily Latin American) countries as an attempt to overcome the increasing difficulties perceived by the old age, disability, and health provision managed by governments.

The presentation of Robert Brown, President of the Society of Actuaries, was one of the highlights of the conference. Backed by the results of extensive research on the topic, Mr. Brown challenged the conventional wisdom that individually funded retirement systems are immune to shifts in demography, unpredictable behavior of economic parameters, and mismanagement or corruption.

economic variables which are impossible to predict in the long run. But as a general rule, a central proposition of this brilliant presentation stated that pre-funding will increase the security of social security only if it increases gross national savings, which in turn have to be invested to increase worker productivity — and if pre-funding is the best way of achieving this.

There is no historic evidence as to this. Hence, the speaker suggested that a more sensible measure to stabilize retirement systems can be found in an adjustment of retirement age, taking into account productivity increases. His projections for Canada showed that, assuming even moderate increases in productivity, retirement age will not need to rise at all.

Which is both pleasant and surprising, considering that current retirement ages have mostly remained unchanged since the establishment of the respective social security systems, when life



specific presentations on social security systems in the Caribbean, which sparked a discussion about their future. Sekayi Campbell portrayed Jamaica’s National Insurance Scheme including proposed reforms, while Derek Osborne gave a more general overview of the Caribbean’s social security systems.

Both pointed out challenges to the system — which may translate into challenges and opportunities to the region’s life insurance industry. Touching challenges to non-life insurance, Gerrard Lee-Inniss completed the discussion by presenting his thoughts on the role of the P&C actuary in view of the Jamaican Insurance Act.

Another field where insurance industries face a new era is enterprise risk management, which should take into consideration newer forms of reinsurance as well. This was well explained by Jeffrey Harper from a US actuarial consultancy firm, who specified how to approach assessing and addressing risks from all sources; and by Bryan Ware and Lloyd Steinke, who provided the reinsurer’s view of alternative risk transfer as a modern means of addressing enterprise risks, and mentioned some

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Whether fully funding retirement systems is the more efficient way of organizing a country’s pension system depends on

expectancy was considerably lower.

This exposition of general principles was complemented by more

other aspects of the new era in reinsurance. The topic was complemented by David Oakden, another actuarial consultant who spoke about P&C reinsurance. This contributed to the general impression that reinsurance was an important issue at this meeting. The presence of most major reinsurers — though not as numerous as during the Insurance Association of the Caribbean’s (IAC) annual conference in May — confirms the growing interest in the region, an interest surpassed, it seemed, by consultants, who vastly outnumbered reinsurers by attendees. It has to be kept in mind that while most reinsurers came from abroad, many consultants came from local offices, but the fact that one out of four attendees represented a consultancy was remarkable to the outsider. The strong

about the new era the industry faces. The conference covered this topic with presentations by Ken Davies and Lynne Woolridge, with particular emphasis on the Internet, both as distribution channel and as pivot for a new business model: e-commerce is much more than just advertising and selling through the Internet. The importance of this issue is confirmed by the fact that it had been covered — from a different angle — at the IAC conference as well.

Thus, the primary focus of the conference was in fact on the future, trying to anticipate the uncertainties the new era implies. But there were also sessions of more retrospective nature. Dr. Michel de Gouillard gave an epidemiologist’s account of the spread of AIDS and HIV in the

Caribbean, pointing out the factors driving the epidemic and giving recommendations about how to fight it. His projections of the

macroeconomic impact the epidemic will have in five years in Trinidad and Tobago and in Jamaica showed how urgent it is to find more efficient ways to fight the disease. On the other hand, Steve Stoute’s remarks on the regional life insurance AIDS experience showed that the insurance industry has not suffered overly from the epidemic so

far, partly due to the measures taken, primarily conservative underwriting.

There were also two contributions of an altogether different focus. Marcia Tam-Marks gave a detailed insight into the insurance industry in the Dominican Republic that showed the differences between the Spanish-speaking Caribbean countries and the West Indies, which go considerably beyond language. Peter Clark, the president of the Institute of Actuaries, gave a comprehensive and very enjoyable account of the actuarial profession spanning past, present and future, with particular emphasis on communication, culture and companionship.

As usual for a meeting of this nature, there were a number of sessions of more CAA-internal nature, like the students’ meeting on examination techniques or the CAA Standards Presentation. And this account would be blatantly insufficient without mention of the social events that formed a vital part of the conference.

The nightly boat cruise along Barbados’ shore was an unquestionable highlight of the event also for those who had taken it on previous occasions, and the closing dinner at the Bagatelle restaurant was as festive as emotive. At that moment, whoever had not made up his mind before decided not to miss the next CAA annual conference. I certainly won’t.

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presence of consultants and reinsurers also reminds us of the increased M&A activity in the region (this topic was covered by further presentations), where reinsurance often is an important element of financing.

Distribution systems is one of the first elements of insurance that come to one’s mind when thinking

### Section Web Liaison Needed!

Please contact Jim Toole (jim\_toole@milliman.com) or Lisa Kuklinski-Ramirez (lkuklinski@netlife.com) if anyone is interested in doing this for the International Section.