

2020 Virtual Convention
6-8 October 2020

Keynote Speakers Announcement



Ferial Haffajee

Ferial Haffajee will give the opening plenary address of the 2020 Virtual Convention on Tuesday, 6 October at 08:30 AM. She is a South African editor and journalist and is currently associate editor at the Daily Maverick. Previously, Ferial was editor-in-chief at the Mail&Guardian and City Press, where teams working with her won numerous investigative journalism awards. She is a regular analyst and commentator on radio, television and elsewhere. Ferial is a member of the Aspen Global Leadership Network and a member of the Africa Leadership Institute Fellowship. She is on the board of the Open Society's Programme for Independent Journalism. She has won numerous awards for journalism and for her support of media freedom including a Committee for the Projection of Journalism's International Press Freedom Hero award in 2015 and the Naspers Phil Weber award in 2013 – the global company's highest internal honour. Previously, Ferial was chairperson of the South African National Editors Forum and chairperson of the CNN/Multichoice African Journalist of the Year Awards. She has served on the boards of the World Editors Forum and the Global Editors Network. She has published a best-selling book called "What if there were no whites in South Africa" and in 2017 was awarded an honorary doctorate from the University of Free State for her journalism.

Papers to be presented at the Virtual Convention

With less than two weeks to go to the Virtual Convention, hopefully everyone has had a chance to view the programme and get an idea of which sessions they would like to attend. Part of the excitement each year involves the awards presented for the best papers at the Convention. The Convention Organising Committee would like to highlight the important role that research and sharing of knowledge plays in our profession. Writing and presenting a paper at the Convention not only puts one in the running for a prize, but also allows one to

leave one's mark in the industry and share one's knowledge and expertise to a much wider audience than just those that are able to attend the specific session.

This year, thirteen papers were submitted for presentation. Here are the summaries of a few of these to whet your appetite. Be sure not to miss these presentations!

OPTIMISING THE PERFORMANCE OF ACTIVE INVESTMENTS by Wade Gunning

Profitable investing is traditionally assessed via high returns, but skilful asset management involves generating returns above a benchmark while simultaneously managing the portfolio's risk. Successfully accomplishing these dual objectives is increasingly difficult in the current (2020) environment of sustained low interest rates, elevated market volatility and global trade uncertainty. These complexities mean fund managers must increasingly rely on complex tools to achieve their aims. Examples are the tracking error and its associated frontier which, used correctly, provide insight into profitable asset allocation. Portfolio risk is constrained by the tracking error frontier. The universe of acceptable investable securities (and combinations thereof) is governed by this metric, but the behaviour and role of these frontiers in portfolio performance has been largely neglected. This work expands upon other recent studies, explores market drivers which govern the frontier's behaviour, and offers a valuable addition to fund manager evaluation and broad economic knowledge. Read the full paper [here](#) and be sure to watch the poster presentation which will be available on the virtual platform from the POSTER PRESENTATIONS icon.

SHOULD WE TAX THE ANTI-VAX? ETHICAL AND OTHER CONSIDERATIONS OF USING VACCINATION HISTORY AS A RATING FACTOR IN LIFE INSURANCE UNDERWRITING by Pamela Hellig

Vaccinations are accessible, affordable, and highly effective, but there are still huge human and financial costs associated with vaccine-preventable diseases. This paper considers the potential inclusion of vaccination history in life insurance underwriting. Insurers have an interest not only in accurate pricing of risk, but also in minimising the significant mortality and morbidity implications of vaccine-preventable diseases. And, if encouraging better vaccination behaviour offers financial and social benefits, does the insurance industry not have an ethical duty to assist in preventing unnecessary illness? This conversation is especially relevant now. On the one hand, the world desperately awaits a Covid-19 vaccine. On the other, the anti-vax movement has led to the resurgence of diseases once assumed eradicated. These opposing forces raise many interesting points, including the ethics of mandatory vaccination, the financial burden of diseases, and the role of insurers in their containment. Read the full paper [here](#).

ESTIMATION OF LIFE TABLES FOR INDIVIDUALS WITH CEREBRAL PALSY IN SOUTH AFRICA by Tashvir Khalawan

A component of the medical negligence litigation process involves calculating the loss of earnings and expected present value of future medical expenses to be incurred for the injured person. Due to the significant extent of the disability, individuals with cerebral palsy are expected to have shorter life spans. Legal teams therefore instruct a life expectancy expert, in South Africa this is typically a paediatrician, to provide a life expectancy opinion. Actuaries are then instructed to use this estimate in their calculations. Such opinions are typically a point estimate of life expectancy, either in terms of remaining number of years of survival or percentage of normal mortality. It is left to the actuary's discretion to formulate a life table to be used in their calculations based on this opinion. Current practice is to adjust a standard table, typically the SALT 84-86 (whites) table, to produce the required life expectancy. This presentation provides a method to produce full life tables that better fit the unique survival probabilities for individuals with cerebral palsy. The results show that there is a significant difference in the shape of mortality compared to using an adjusted standard table. Due to other factors in the quantum calculation, this results in a difference in the final expected present values for loss of earnings and future medical expenses. The key practical outcome is that the life tables produced can be used by actuaries who prepare expert reports in cerebral palsy matters. Read the full paper [here](#) and be sure to watch the poster presentation which will be available on the virtual platform from the POSTER PRESENTATIONS icon.

UNDERSTANDING MEDICAL INFLATION AND THE NET DISCOUNT RATE FOR MEDICAL ITEMS ON DAMAGES CLAIMS by Ndumiso Mavimbela and Elphas Ndou

There is generally lack of consistency on the net medical discount rate applied by actuaries on medical negligence and related claims in South Africa. This is contrary to the need for consistency, predictability and reliability as generally accepted in South African case law. In this paper, we aim to differentiate between the drivers of general medical inflation and medical inflation as should be applicable in damages claims. We also explore an international example on medical net discount rates as applicable in damages claims. Based on our international example, we quantitatively explore if a static net medical discount rate is appropriate for South Africa or not. In the event, it is not appropriate, we reference to other aspects of South African law which allow economic parameters to adjust for litigation purposes. Read the full paper [here](#) and be sure to watch the poster presentation which will be available on the virtual platform from the POSTER PRESENTATIONS icon.

CSM.ZA - EXPLORATION OF THE DYNAMICS OF THE IFRS 17 CSM AND ITS APPLICATION IN A SOUTH AFRICAN CONTEXT by Keren Nieuwoudt and Brendon Thorpe

IFRS 17 requires complete separation of the insurance service result from the financial result, with the components of the insurance liability being disclosed separately and valued at different interest rates. This can pose a unique challenge to South African Life Insurers operating in a volatile, high interest rate environment, with a degree of premium escalation being a common policy feature. This presentation will demonstrate how potentially significant the expected first-order, and unexpected second-order volatility can materialise to be on a range of different policy types, whether inflation linked or not. It will be shown how disaggregating the finance result using other comprehensive income can be used to mitigate both sources of volatility. Further, in the context of high interest rates, various approaches regarding the allowance for time value of money in the calculation of coverage units will be explored given the materiality of this decision. Read the full paper [here](#).

THE CONTRIBUTION OF SOUTH AFRICA'S INSURERS TO SYSTEMIC RISK: THOUGHTS FOR POLICYMAKERS by Rob Rusconi

Financial markets play a critical role in supporting the operation of an economy. Increasingly complex, however, these markets are also fragile, occasionally causing tremendous harm to the households and businesses that they serve. Market failures take a number of forms, but there is little doubt of the risk of market activities to entities well outside of their direct influence when they do fail. The impacts of these events, typically known as externalities, are caused by systemic risk, the so-called domino effect caused by the interlinkages between market players.

Does insurance, in South African specifically, contribute to systemic risk? The answer to this question is critical. Insurers do not have a natural, economic incentive to control systemic risk and the regulator may need to step in to manage it. The approach underpinning Europe's Solvency II system, and the equivalents in use around the world, including in South Africa, are highly regarded by critics. This approach, however, does not appear to measure and manage systemic risk effectively. In fact, it may contribute to the risk of externalities by focusing unduly on insurer-specific risk and encouraging herding behaviour. The paper notes that alternative approaches are available and ought to be considered. Read the full paper [here](#) and be sure to watch the poster presentation which will be available on the virtual platform from the POSTER PRESENTATIONS icon.

REGULATING SOUTH AFRICA'S RETIREMENT FUNDS: THE CASE FOR CLEARER OBJECTIVES by Rob Rusconi

The regulators of financial markets play a critical role in managing the risks associated with these markets, risks that are particularly pertinent in the retirement-funding space. To operate effectively, however, these regulators need to operate under a clear set of objectives, supported by measurable outcomes and transparent reporting of success against these outcomes. The responsibility for overseeing retirement arrangements was recently taken on by the newly-established Financial Sector Conduct Authority (FSCA), along with considerable powers of regulation.

The research suggests that neither the FSCA nor its predecessor, the Financial Services Board, have adequately defined a set of regulatory objectives and outcomes. The paper acknowledges the considerable complexity of regulation in this market and the opaque policy of retirement funding that makes the setting and

meeting of such objectives much more challenging. It nevertheless encourages the regulator to use the power at its disposal to set objectives in the areas of efficiency, sustainability, coverage, adequacy and security and makes a number of suggestions in this regard. The profession has a significant contribution to make through research. Read the full paper [here](#).

THE BOILING FROG PROBLEM WITH UNIVERSAL LIFE POLICIES by Paul Truyens and Mike McDougall

In the early 1980s the increasing power of computers enabled life insurance companies to develop and market policies that were flexible in terms of life cover and savings combinations, as well ensuring efficiency in the pricing of the two elements. These products were called Universal Life and entailed maintaining an investment account for each policy to which premiums and investment growth were credited and expenses and the cost of life cover debited. Unfortunately, an inherent gearing feature of the product design led to a vicious downwards cycle in the overall performance of these policies when investment returns declined post 1994. The unfolding catastrophe was not noticed early enough by life companies or policyholders, and as with the boiling frog, no action was taken to mitigate against the consequences of this downwards spiral until too late. The consequences are endowment policies maturing for a fraction of what was expected and whole life policies requiring very large increases in premiums to maintain the level of life cover. Read the paper [here](#). and join the presentation to find out whether actuaries were to blame.

Virtual Dinner Booking Deadline

The deadline for booking your virtual dinner tickets is Friday, 25 September, so be sure to do so right away! If you have already registered for the Convention follow the link in your registration confirmation email or email register@actuarialsocietyconvention.org.za. If you have not yet registered for the Convention [register now](#) and include your registration for the Breakfast session during the registration process.

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Regards

The 2020 Convention Organising Committee

2020 Convention Secretariat

T: +27 (0)21 683 2934 | **F:** +27 (0)86 542 4191

E: info@actuarialsocietyconvention.org.za

W: Actuarial Society of South Africa: www.actuarialsociety.org.za