

Media Release
Actuarial Society of South Africa
8 March 2010

Local actuaries show that disability claims rise during times of economic hardship

While it has been accepted in theory by the South African life insurance industry that disability claims are likely to increase during times of economic hardship, this view has never been supported by factual evidence. This will change on Wednesday when two local actuaries present their research paper at the International Congress of Actuaries (ICA) 2010 in Cape Town, attempting to show that there is in fact a strong correlation between disability claims and economic conditions in South Africa.

The paper, researched and written by Karl Schriek and Paul Lewis from General Reinsurance Africa, will also present life insurance actuaries in South Africa with the country's first practical and useable predictions for disability rates based on different economic scenarios.

Peter Withey, the chairman of the Scientific Programme Committee of the International Congress of Actuaries (ICA), says the relevance and usefulness of this research paper impressed the adjudication panel tasked with selecting the best actuarial papers presented at the Congress. As a result Schriek and Lewis were awarded the ICA 2010 prize for a paper from Africa.

Withey presented the prize earlier today during the opening ceremony of the five day Congress, held in Africa for the very first time.

In their paper, Schriek and Lewis comment that for the past 20 years South Africa has sustained a strong rate of economic growth and as a result there has been little reason to conduct such a study in the past. However, they say in their paper, in 2008 and 2009 South Africa, along with the global economy, suffered a major economic slowdown, leaving insurers with no way of estimating the subsequent effect on claims incidence and required reserves.

The authors explain that without research of this nature life insurers are not in a good position to quantify when, and by how much, they should change their risk rates should economic conditions weaken.

Not only does the paper by Schriek and Lewis look at the theoretical link between disability experience and economic growth, it also presents the results of the analysis of South Africa disability experience over the past 15 years and attempts to quantify by how much disability experience will worsen should the economy suffer a major slowdown.

Schriek and Lewis will present the paper on Wednesday morning at the Cape Town International Convention Centre. The paper is available for download on www.ica2010.com.

The ICA 2010 overall prize for a paper presented at the Congress was awarded to French actuaries, Olivier Le Courtois and Christian Walter, for their study on Value-at-Risk and Levy Processes.

Note to Editors: The Congress takes place at the Cape Town International Convention Centre from today until Friday and is being attended by more than 1 500 actuaries from 101 countries. Actuaries have a choice of 250 speakers from 35 countries. All research papers and presentations will be available for download from www.ica2010.com once presented. The event is open to the media.

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Issued on behalf of the Actuarial Society of South Africa

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The Actuarial Society of South Africa is the professional organisation for actuaries and actuarial students in South Africa. The vision of the Actuarial Society is an actuarial profession of substance and stature, serving, and valued by, our communities as a primary source of authoritative advice and thought leadership in the understanding, modeling and management of financial and other measurable risk.