

ST. JOHN'S COLLOQUIUM

Actuarial Consulting: Latin America Caribbean (LAC)

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Agenda

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- 2 Key Features of the Latin America Caribbean (LAC) Region**
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Introduction

The presentation is a personal one, based on our experience consulting on P&C issues in LAC.

We have worked on projects together and separately, and we have each peer-reviewed the work of the other. I am a foreign consultant everywhere in LAC but have enjoyed my career and its strong regional emphasis.

Cristina is local to Brazil but sensitive to issues outside of Brazil: around the LAC region and around the world. We hope that you appreciate our perspectives based on many years of actuarial activity in the region.

LAC Region

- Consists of more than thirty sovereign states and several territories and dependencies.
- Covers area of 19.2 million km² from the northern border of Mexico to the southern tip of South America, including the Caribbean.
- Includes almost 13% of the Earth's land surface area with a combined population of 619 million (9%), nominal GDP of 6.1 trillion USD (8%), and a total premium volume of 188 billion USD (4%.)



LAC Region

Worldwide
comparison

	Population millions	GDP USD bn	Premium volume in million USD	Insurance Density	Insurance penetration
North America	354.2	19,219	1,405,816	3,969	7.3
<i>Latin America and Carib.</i>	<i>619.0</i>	<i>6,134</i>	<i>188,225</i>	<i>304</i>	<i>3.1</i>
Europe	815.9	22,738	1,697,529	1,902	6.8
Asia	4,265.7	25,142	1,317,566	307	5.2
Africa	1,124.5	2,470	68,974	61	2.8
Oceania	38.5	1,691	100,140	2,600	5.9
World	7,217.9	77,394	4,778,248	662	6.2

Notes

Data from Sigma Swiss RE n°4/2015: Worldwide Insurance in 2014

Total premium volume in USD in 2014

Insurance Density: premiums per capita in USD 2014

Insurance penetration: premiums in % of GDP in 2014

LAC Region

Latin America
and Caribbean

Country	Population in million	GDP USD_bn	Premium volume in million of USD	Insurance Density	Insurance penetration
Brazil	202.2	2,180	85,444	422	3.9
Mexico	124.0	1,281	27,242	220	2.1
Venezuela	30.9	625	22,665	735	3.6
Argentina	41.8	528	15,845	379	3.0
Colombia	48.9	380	9,510	194	2.5
Chile	17.8	258	10,915	613	4.2
Peru	30.8	203	3,577	116	1.8
Ecuador	16.0	102	1,703	107	1.7
Dominican Republic	10.5	63	763	73	1.2
Guatemala	15.9	59	835	53	1.4
Uruguay	3.4	55	1,197	350	2.2
Costa Rica	4.9	50	1,156	234	2.3
Panama	3.9	44	1,343	342	3.0
Trinidad and Tobago	1.3	25	1,087	809	4.4
Jamaica	2.8	14	718	256	5.1
Bahamas	0.4	9	724	1,894	8.4
Other countries	63.5	258	3,500	NA	NA
Total	619.0	6,134	188,224	304	3.1

Notes

Data from Sigma Swiss RE n°4/2015: Worldwide Insurance in 2014

Total premium volume in USD in 2014

Insurance Density: premiums per capita in USD 2014

Insurance penetration: premiums in % of GDP in 2014

LAC Region

Distribution of
the Total
premium in
Life and Non
Life

Country	Total premium volume	% Life Premium	% Non life Premium
Brazil	85,444	53%	47%
Mexico	27,242	46%	54%
Venezuela	22,665	3%	97%
Argentina	15,845	19%	81%
Chile	10,915	59%	41%
Colombia	9,510	30%	70%
Peru	3,577	49%	51%
Ecuador	1,703	16%	84%
Panama	1,343	23%	77%
Uruguay	1,197	29%	71%
Costa Rica	1,156	12%	88%
Trinidad and Tob	1,087	42%	58%
Guatemala	835	20%	80%
Dominican Repul	763	25%	75%
Bahamas	724	43%	57%
Jamaica	718	22%	78%
Other countries	3,500	17%	83%
Total	188,224	40%	60%

Notes

Data from Sigma Swiss RE n°4/2015: Worldwide Insurance in 2014

Total premium volume in million of USD in 2014

LAC Region

Ranking
worldwide

Country	Population	GDP	Premium volume	Insurance Density	Insurance Penetration
Brazil	5	7	13	44	39
Mexico	11	15	25	59	58
Venezuela	33	21	30	36	40
Argentina	28	26	35	46	48
Chile	42	43	40	39	36
Colombia	24	32	41	60	52
Peru	34	52	49	65	66
Ecuador	45	63	63	67	69
Panama	73	78	67	50	47
Uruguay	76	73	70	49	57
Costa Rica	69	75	72	58	54
Trinidad and Tobago	81	81	75	35	35
Guatemala	46	70	82	77	71
Dominican Republic	51	66	85	73	75
Jamaica	77	83	88	56	30
Bahamas	87	87	87	25	13

Notes

Data from Sigma Swiss RE n°4/2015:Worldwide Insurance in 2014

88 countries considered around the world

LAC Region

Number of
Actuaries

Country	Number of actuaries
Country	
Brazil	1,118
Mexico	534
Argentina	240
Colombia	8
Caribbean	100

Note:

From IAA website: www.actuaries.org

- Number of actuaries above is for Full Member Associations of the IAA.
- Argentina, Chile, Mexico, and Panama also have other actuarial associations that are Associate Members of the IAA. The number of members is not readily available.
- The LAC Region needs more local actuaries!

LAC Region

Countries in which
presenters provided
consulting services

- Insurance business concentrated in the big cities with few exceptions:
 - Brazil-Sao Paulo and Rio de Janeiro;
 - Argentina-Buenos Aires and Córdoba;
 - Mexico-Mexico City.



- Cristina Mano
- Michael Smith
- Both

Issues of Consulting

Language

- Spanish and Portuguese prevail, CARICOM a notable exception.
- English may be spoken, but often not enough for deep negotiations.
- Spanish and Portuguese preferable for clearer understanding of details.
- In companies (especially those that are local) people that do not have complete mastery of English do not always feel comfortable working with people who do not speak the local language.
- Brazil has another difference because few foreigners speak Portuguese. Spanish speakers also have difficulties with Portuguese and vice versa.
- Consultants fluent in local languages have an advantage in LAC.

Issues of Consulting

Language (con't)

- Large insurers may accept proposals in English
- Medium and small insurances often ask for local language proposals.
- Same issue in relation to the report, it should be written in local language.
- Usually, work for a foreign client or a multinational, requires an English report. In such cases, two versions may be required (local language and English).
- If the consultant needs to interact not only with Actuaries, but with underwriting, claims, finance and executives in other areas, the language barrier could be a significant issue.

Issues of Consulting

Business Culture & Meetings

- Conversation before and after on generalities can take a long time. It is advisable to talk about other general topics before addressing the main issue.
- Topics of the moment, such as politics, football, etc are important. In Argentina and Brazil, politics should be avoided.
- The last populist governments of Brazil and Argentina created a real "fracture" among people. There is still a lot of resentment.
- Other topic for foreign visitors: First visit to the country or visits as a tourist? Weather? Flight??? Etc.
- Clients tend not to be punctual (local consultants also). Visitors can often wait for a quarter of an hour or more. Traffic is usually to blame, or at least the formal excuse provided.
- Negotiations for important transactions are usually long, and decisions are made by the higher-ups sometimes not present in preliminary meetings.

Issues of Consulting

Business Culture & Meetings (con` t)

- Agendas in North America are more organized.
- Meetings have set times to start and end, less so in LAC.
- Mainland North American presentations focus more on the conclusion and actions needed than on historical analysis and construction of problems and issues.
- North American teams tend to proceed (within meeting deadlines) to the “last slide”.
- Latin presenters respect timing less and sometimes end up having to “run” to show the work in the meeting period.

Issues of Consulting

Local
Regulation
& Financial
Reporting

- A big issue can be not knowing or having incomplete/incorrect knowledge of the rules and practices of the local regulator.
- As regulations are in Portuguese or Spanish, the consultant who does not know the language must depend on other people to fully understand.
- Statutory formats can differ from North America.
- Accounting reports may be designated as IFRS but may differ in specificity and degree of disclosure and implementation

Issues of Consulting

Local Taxation

- Double taxation could be an issue.
- VAT is required in some countries.
- The issue can put pressure on client project fees and collection.

Issues of Consulting

Communication Style

- People from Latin America and Caribbean at times use body movements to communicate ideas, especially if there is a language barrier.
- Hand gestures are common.
- Cheek kissing (only once) is a common greeting. Generally speaking, women will kiss both women and men (maybe not at the beginning of the first meeting, but frequently at its end), while men will kiss women but not men (they shake hands instead).

Issues of Consulting

Cultural Bias

- There will nearly always be cultural differences, but the differences need not create an impediment or a big problem.
- Consultants in LAC are accustomed to long hours, often with long lunch breaks of more than one hour.
- It is not common to have meetings during the weekends or late at night.
- It is relatively easy to schedule a meeting with a lot of discussion but simply having a meeting does not always lead to a project .
- North Americans value time at home, with the family, to do household tasks, while the Brazilian tends to stay longer at work, either because of low focus during the day or waiting for the traffic to improve.

Approaches

Team Composition

Could vary a lot and depends on the work to be developed, the team proposed and the profile of the client.

- It depends on the foreign consultant (if he speaks the language , know the market, know the rules);
- it depends on the type of project (if it is a work to be presented locally, sent to the foreign parent);
- There's no rule, it depends on the individual, type of work, knowledge...

Approaches

Local team

Advantages:

- Knowledge of the market and regulation
- Knowledge of the techniques applied in the market
- Low cost of the services (billing rates in local currency)
- Easy understanding of the client needs
- Consultants available physically
- Same language and business culture

Disadvantages:

- Lack of familiarity with sophisticated techniques (sometimes)
- Multinational clients usually require multinational consultancies

Approaches

Mixed team

Advantages:

- Knowledge of the market and regulation (local and foreign)
- Knowledge of the techniques applied in local and other markets
- Knowledge of sophisticated techniques/actuarial software
- Cost of the services could be balanced (billing rates in local and foreign currency)
- Easy understanding of the client needs
- Worldwide networking

Disadvantages:

- Some team members not available physically
- Some team members do not speak local language

Approaches

Foreign
team

Advantages:

- Knowledge of more sophisticated techniques/actuarial software
- Worldwide networking

Disadvantages:

- Market unfamiliarity
- Rudimentary techniques still in use in the region
- Inflexibility because of knowledge of more sophisticated techniques including actuarial software not applied in the region
- High Cost of the services (billing hours in USD)

Approaches (Actuarial Services)

- Pricing (motor or other lines of business)
- Technical notes for products (including financial projection/profit testing)
- Estimation of unpaid claims
- Judicial claims review
- Internal capital models-important everywhere but in some countries may be cost-prohibitive and not in demand either by management or the regulator
- Actuarial training
- Portfolio and Underwriting Services/Reinsurance Advice/Strategic Analysis
- Merger & Acquisition (Appraisal, Due Diligence, etc.)

Anecdotes

- Americans working in Brazil are fascinated by the “human warmth” and the importance of social relations, while horrified by the lack of respect to schedules and deadlines.
- Mexico-strict local interpretation of rules
- Puerto Rico/Mexico-lack of inclusive temperaments both ways
- LAC-presentation in Spanish
- AUDIENCE EXAMPLES

Conclusion

Education

- University-based
- Credential of another IAA FMA
- Local actuarial examinations
- Regulatory and governmental review
- Continuing education
- Professionalism

Conclusion

Open mind

- Differences in approach do not always mean that one is correct and the other incorrect.
- Flexibility to listen and learn.
- Poor communication in English does not mean faulty actuarial reasoning.
- Use of local language can bring rewards, but there is the risk of miscommunication.
- Changing one's mind is not always a sign of weakness or error.

Conclusion

Standards

- Some countries in LAC have actuarial standards, and some do not.
- Actuarial associations that are members of the IAA have a Code of Conduct applicable to providing actuarial services.
- FMAs have Discipline Process.
- Often foreign consultants apply “home country” standards.
- It is good practice to document in actuarial communication, especially Reports, the standards that apply.
- Standards can change over time. Actuaries have a responsibility to be up-to-date.

Conclusion

Tropicalization

- Americans can be very pragmatic while Brazilians and Latins can be wordier in discussions during meetings.
- The American pragmatism makes them seem “less friendly” but Brazilian approach can reduce the credibility of certain comments.
- The ideal is somewhere between the two extremes, and it vary between people and the subject matter
- Direct communication



Muito obrigado!
Muchas gracias!
Merci beaucoup!
Masha danki!
Thank you very much!

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