

# The International Actuarial market and the changing role of the Actuary

Presented by Lesley Traverso BA (Hons), MA *UNSW*

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# Definition of a ‘profession’

A “profession” can be defined as:

*“...a disciplined group of individuals who adhere to high ethical standards and uphold themselves to, and are accepted by, the public as possessing special knowledge and skills in a widely recognised, organised body of learning derived from education and training at a high level, and who are prepared to exercise this knowledge and these skills in the interests of others.”*

Bellis, C *The origins and meaning of “professionalism” for Actuaries* Actuarial Studies and Demography research paper series, No. 011/97 Macquarie University November 1997

# Three patterns of Actuarial profession development

## 1. In Britain & countries such as Australia which derive their institutions from Britain:

- Actuarial occupation is well organised
- Large extent of self-regulation
- Education and examination under the control of the profession itself.
- Governments have historically delegated considerable authority to the actuarial organisations and to individual actuaries.

## 2. In Continental Europe:

- Actuaries are regulated more by the state
- Education and examination are under control of the state-run universities.

## 3. The United States:

- Represents an intermediate position.
- The state governments have historically retained more control and actuarial bodies have not been strongly organised nationally.
- The model has grown closer to the British model in recent years.

Note - the above was from a paper written in 1997

# Key influencing factors to trajectory of development of Actuarial profession in developing market

- Country of origin of regulators and early actors
- Availability of talent
- Education system development

# Domain of Actuary in different locations

- Difficulty of defining role and demonstrating value in markets new to the role of Actuary
- Narrow v. Broad role
- Regulatory influence
- Perception by non-insurance folk
- Strength of the profession
- Availability of local Actuarial education

# ‘Wider fields’

- Wider roles that Actuaries take in developed markets growing – well known
- What will be the “next big thing” in other markets?
  - Takaful?
  - Transparent, ethical, broad appeal

# How the profession develops – Influencing factors

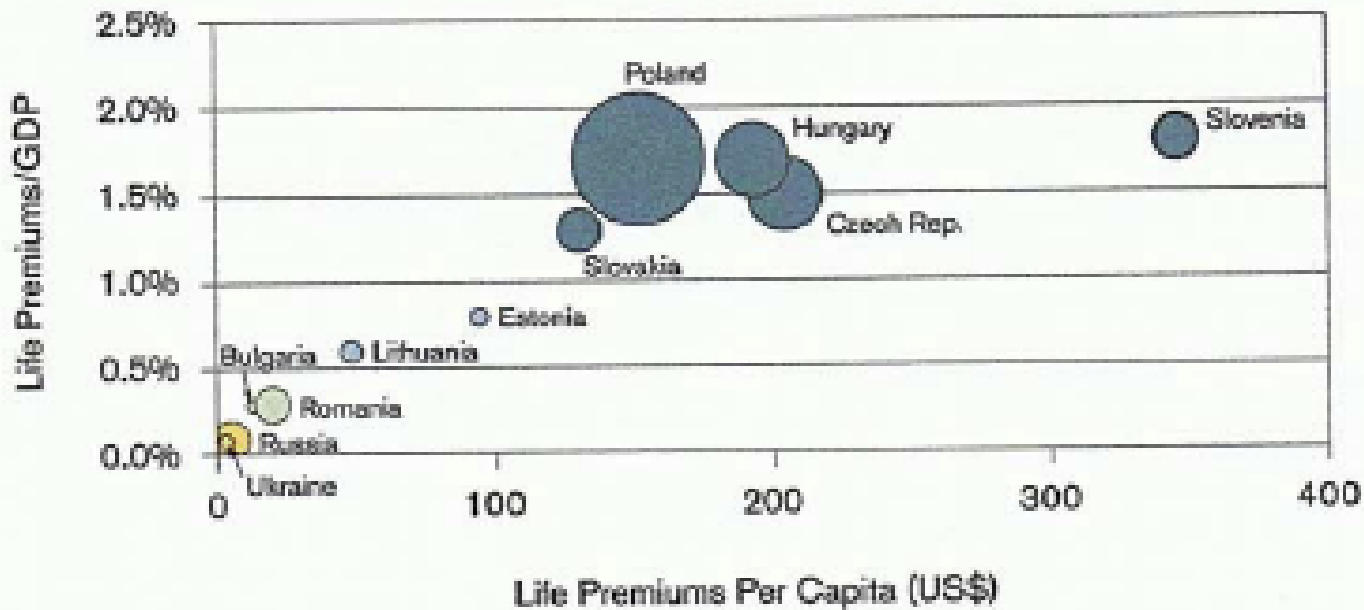
- One major influencing factor – regulation and supervision
- Single regulatory agency (UK and Japan)
- Functional regulatory regimes with structured consultation (China and India)
- “Twin Peaks” (Australia)
- EU has a national regulator in each State, but harmonisation of prudential supervisory standards

## Numbers of Actuaries from IAA and in brackets from local association

Andorra	8	Italy	247
(Albania	25)	Latvia	18
Austria	198	Liechtenstein	1
Belgium	465	Luxemburg	22
(Bosnia	25)	Malta	2
(Bulgaria	68	Monaco	2
Croatia	49	Netherlands	863
(Croatia	51)	Norway	257
Denmark	291	Poland	11
Estonia	17	(Poland	150)
(Estonia	24)	Portugal	122
Finland	124	Russian Fed	1
France <sup>1</sup>	1874	(Russia	85)
Germany	2451	Slovakia	1
Gibraltar	1	(Slovakia	108)
Greece	76	Slovenia	36
Hungary	137	Spain	1495
Iceland	18	Sri Lanka	1
Ireland	392	Sweden	307
		Switzerland	526
NEW			
ZEALAND	127		

# How the profession has developed in different countries – Central Europe

Chart 1: Life Insurance Markets in Central and Eastern Europe



Source: Sigma

- Most developed markets in Central Europe - Poland, Slovakia, Hungary, Czech Republic and Slovenia
- Russian insurance market the largest, but still embryonic stage

# Example - Russia

- 1994 – 2001 Society
- 2002 – Guild came into effect
- 2007 – 200 students studying internationally recognised qualification, future projection 1-2000
- 130 members –
  - 71% insurance, 8% consulting, 11% Universities, 7% pensions

# Playing around with predicting demand for Actuaries

- More complex than scope for here
- Looked at by others
- Quick and simple thought – relationship to US\$1m premium income?
  - UK 1:50
  - US 1:68
  - Bermuda 1:83
- How reflected in very new region?
  - A quick look at MENA (Middle East North Africa)

# Example – predictor of demand for Actuaries in new markets (back of an envelope!)

	Non Life premium volume 2005 USDm	Life premium volume 2005 USDm	total premiums 2005 USDm	Number of actuaries <sup>1</sup>	Ratio of total premiums: number actuaries	1:65 <sup>2</sup> ratio – projected actuaries required
UAE	1526	336	1,862	2	931	28
Qatar	341	18	359	0		6
Jordan	277	32	309	0		5
Egypt	461	300	761	8	95	12
Oman	247	45	292	1	292	5
Saudi Arabia	1385	17	1,402	1	1402	22
Kuwait	403	96	499	1	499	8
Bermuda <sup>3</sup>	n/a	n/a	9470	113	83	
UK	100629	199612	300241	6029	50	
US	625838	517074	1142912	16672	68	

## Example - India

- US\$31,663m of premium income, therefore around 480 Fellows required – currently 250
- Current student numbers 5,500 but only 2-3 qualifying per year, many not in an actuarial role
- Lack of mentors to train students associates
- Time lag between demand and experienced supply

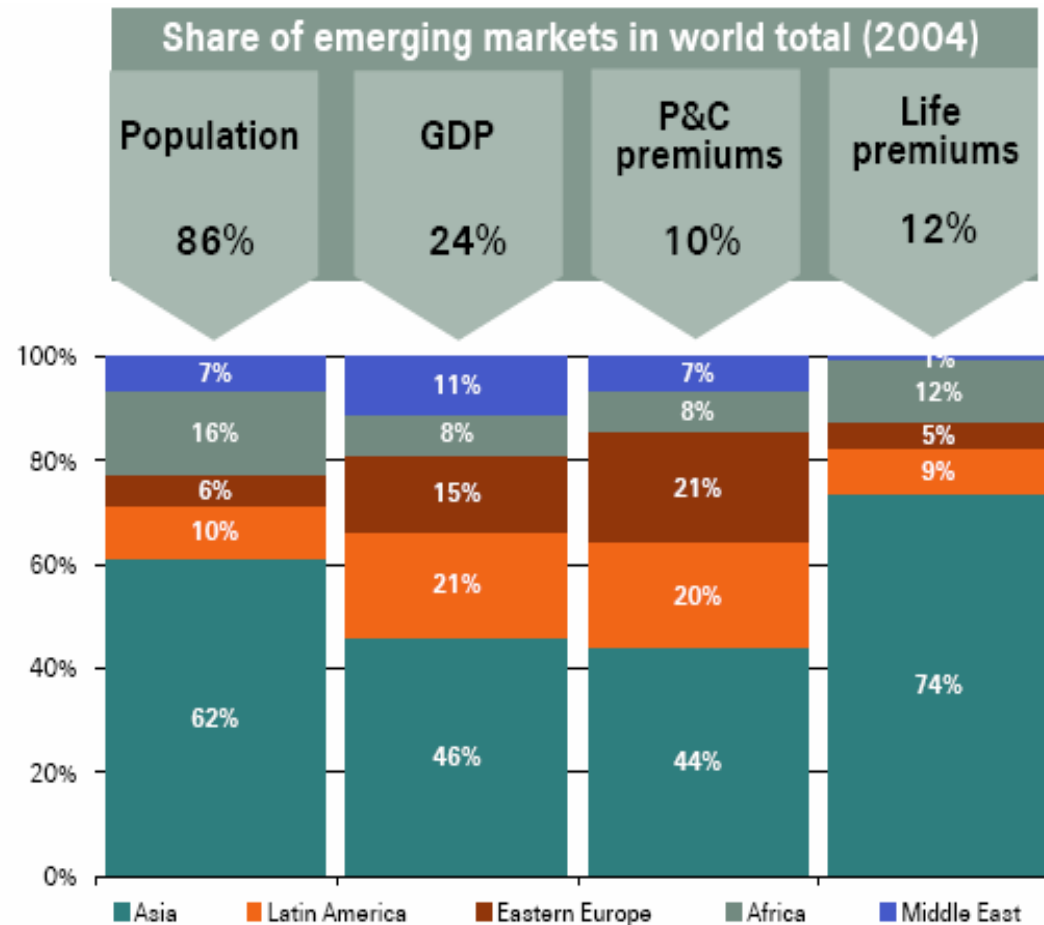
# Challenges to overcome

- Cultural differences
- Relatively inexperienced people attain senior roles (as compared to other markets)
- AA roles not coveted in India, Pricing roles not wanted in China – constrained by regulation
- Seen as means to achieving career progression not for its own benefits

# Types of products in new markets

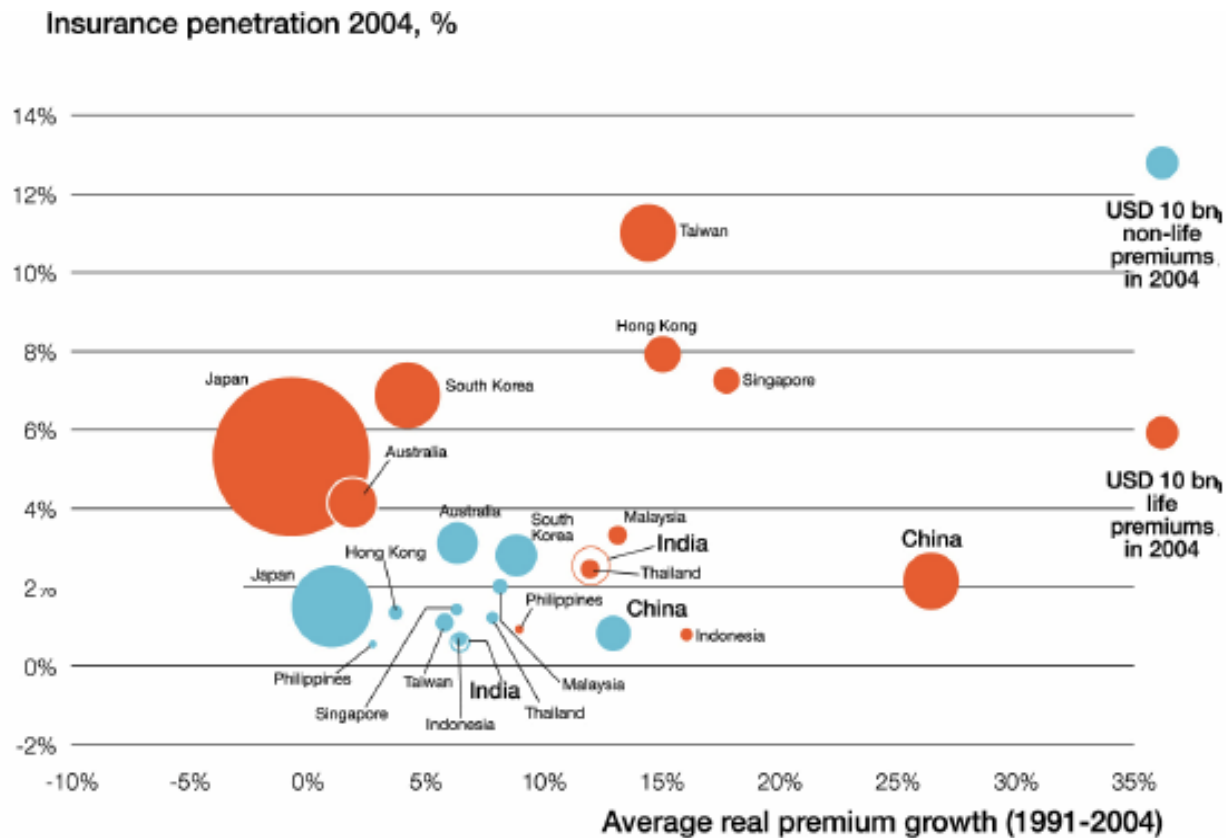
- Generally perceived that products in new markets are “unsophisticated”
- India – some are surpassing those in more development Asia markets
- Provides Actuaries with opportunity to be involved in all facets of business - strategy, marketing, sales training
- China – products often less sophisticated
- Local actuaries learn through text books and need mentoring and developing

# Where are the emerging markets?



Source: Swiss Re Economic Research & Consulting

# Insurance penetration and growth on our doorstep – life vs. Non-life



Sources: Oxford Economic Forecasting; Swiss Re Economic Research & Consulting.

# Salaries

- Huge ex-pat salaries and benefits a “thing of the past” for new employees
- Companies seeking to localise, want employees who genuinely want to go to the country, not being bought in
- On pure currency exchange, often paid “less” than currently on
- Important to contextualise
- Salaries often not what you would expect e.g. Could earn “more” in India than Hong Kong!

# Example - Vietnam

- Less than 10 Fellows in country, < 50 undergoing training
- Short term attitude to careers – lack of commitment to train, then want to go overseas
- Graduate salaries around US\$500 per month, newly appointed AA or CA in start up – US\$150,000 per year

# Summary

- The Actuarial profession is growing
  - Numerically
  - Geographically
  - Structurally
- Career opportunities will continue to develop
- The diversity and continuing evolution of the actuarial profession worldwide is a fascinating topic and a privilege to be able to witness