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Becoming an Actuary in Sri Lanka and the Future Potential of the Profession in Sri Lanka

By *Sujeeva Udayasiri Fernando*

Sri Lanka is a beautiful island in the Indian Ocean blessed with enormous natural and human resources. Consisting of a population of about 17 million with an expected life expectancy of 74 years of age, Sri Lanka's literacy rate has reached its peak at more than 93 percent. The key reason for the high literacy rate is the free education system up to the university level in the country. With this solid education foundation, the country has produced clever academics in various disciplines.

However, in spite of its solid foundation, there are very few actuaries currently working in the industry. One actuary is at the fellowship level working in the pension field and the other three actuaries are at the associate level. These basic statistics depict the level of difficulty in becoming an actuary on this soil.

Because of the scarcity of a qualified actuarial community, it is very difficult to find a suitable environment for students to pursue the professional exams. Sri Lankan universities have introduced preliminary actuarial subjects in their academic programs during the past few years, but due to the lack of qualified actuarial academics in the university system, it has failed to reap the expected objectives.

I believe Sri Lankan students have difficulty taking the professional actuarial examinations because of a lack of resources, such as the expense of study materials, scarcity of actuarial experts, and the lack of proper guidance when following the course. The self-study method is the only way to pave the way for exams under the existing environment. Moreover, the majority of students are now studying for the U.K. exams and Indian exams. Some companies have sponsored students for the U.K. actuarial postgraduate courses, because there are exemptions for some papers in the U.K. exams. This may be one of the reasons to choose U.K. exams. But now there is a growing trend for students to take the SOA exams as well. However, due to emerging of demand for the actuarial profession in the Sri Lankan market, in the past three years more students have started to enter the actuarial field.

At present, there are 16 insurance companies operating in the market, and among them 13 companies are engaged in composite insurance businesses, carrying on both long term and property and casualty insurance (general) business, while one company is engaged in long term insurance business and the other two companies are engaged in general insurance business. In addition, there are about 50 insurance brokers and about 25,000 insurance agents.

In spite of the global financial crisis in the insurance sector, the insurance industry has recorded solid growth in premiums and assets during the last few years in Sri Lanka. The insurance sector assets are about 4 percent of the total assets in the financial system. The total assets of insurance companies have grown between 13 and 16 percent in recent years, and the overall profitability of the industry has sustained.

The regulatory framework, supervision and enforcement regime pertaining to the insurance industry continues to strengthen. The insurance regulator, Insurance Board of Sri Lanka (IBSL) has initiated action to conduct risk-based supervision of insurance companies based on the CAMELS (a U.S. rating of U.S. banks) system. The solvency margin is the main indicator to measure the soundness of insurance companies. All companies are compliant to satisfy the required solvency margin ratios with respect to both long-term and general insurance. Consequently, IBSL requested to submit annual actuarial reports to ensure that funds are adequate to meet all current and contingent liabilities of the policyholders. At present, gratuity valuation is being processed by an actuary under government regulations, while pension fund valuations are looking forward to carry this out in the near future. Apart from that, the actuarial association of Sri Lanka was established in the last year.

It is mostly understood that there were no such strict regulations that had been implemented in certain areas of the financial sector in Sri Lanka. Hence, this has led to crucial epidemics. Many massive financial companies have disintegrated within the past few months. It appears that the lack of rules and regulations are the main cause. Therefore, Central Bank of Sri Lanka has made its way to a new scheme of regulations for the financial sector in order to withhold the inconsistencies. I believe this will open many opportunities for actuaries who are interested in the financial and investment field.

Since I have vividly unfolded the truth that lies behind the lack of supremacy in the actuarial field in Sri Lanka, there is a huge gap between supply and demand at both the academic and industrial level. In this article, I have discussed the 'future potential of the actuarial profession in Sri Lanka'. It is undoubtedly evident that there would be a high demand for actuaries ahead.

If expertise is established in this country in a more consistent manner, it is certain that Sri Lanka will be a key figure in the actuarial market in the near future, with its high availability of analytical ability and sound educational background. ☆

Reference: IBSL Report 2008, Central Bank of Sri Lanka -Annual Report 2008



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