



SOCIETY OF ACTUARIES

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State of Insurance Industry in Pakistan

by Nauman Cheema

Editor's Note: Below are summary points on the development of the profession in the country over the last 25-30 years. The author wanted to emphasize that this is a synopsis regarding the overall development.

1. The actuarial profession in the country was achieving reasonable growth in '60s and early '70s. This was mainly due to the fact that more than 30 insurance companies were writing life business at that time.
2. The profession received a setback when the life insurance industry was nationalized in 1972. Most actuaries either left the country or went into other professions. Only a handful remained in the profession (employed either by the State insurer or by a couple of consulting firms).
3. New induction into the profession also come to a virtual halt due to stagnant absorption capacity of actuarial personnel in the market.
4. However, induction of new people restarted in the profession in the early 1990s, on account of the following reasons :
 - An actuarial program by the State insurer to develop more personnel in the profession (the State insurer finally realizing the necessity of actuarial personnel)
 - Additional requirements by consulting firms due to increased employee benefit and insurance-related work
 - Re-opening of life insurance to private sector
5. Almost all new inductees preferred to take SOA exams. Currently, there are approximately 30 students writing these exams. The largest employer of the new inductees is the State insurer.
6. The exam pass rate of new personnel has been quite reasonable, considering the lack of formal education support.
7. Some recent events are pointing to a significant increasing demand for actuarial people. Examples are :
 - Increasing number of private insurers
 - Increasing prevalence of employee benefits
 - Increasing market for health insurance (with some actuaries advising general insurers as well)
 - Significantly enhanced role of actuaries in the proposed new Insurance Act (Pakistan currently has an outdated Insurance Act dating from 1938 which is expected to be replaced by a new Act in the next 2-3 months)
 - Increasing role of actuaries in supervision of insurance industry
8. Some issues facing the profession and its future growth are :
 - Potential problems in qualifying due to high SOA fees when translated into local currency
 - Public image of the profession (actuaries are generally perceived as numbers-oriented theoretical people having little to do with market realities)
 - Creation of an effective actuarial association. Although Pakistan has had a local actuarial Society for the last four years or so that became an associate member of IFAA some time ago, negligible progress has been made in addressing the problems of the members, initiating research in different areas, holding regular consultative meetings, designing and monitoring appropriate code of conduct, and promoting the profession among the new generation.



- The existing Insurance Act (of 1938) only recognizes FIAs and FFAs as automatic actuaries whereas FSAs have to obtain a certificate from the Controller of Insurance for signing purposes (this is expected to be changed with the new Act).

Therefore, there is certainly a growing future demand for actuarial people in the country. However, at the same time, there are a number of issues that need to be resolved for positive, effective, and respectable growth of the profession.

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