



SOCIETY OF ACTUARIES

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# A Potpourri of Facts on the Profession in Mexcio

by Shyamal Kumar

**A**n Indian representing the SOA in Mexico—an example of the globalization of the profession, one might say. It has to do more with the reason behind the number of hits you get searching the SOA directory for members in Mexico. There are six, including myself. This is easily explained. Students who pass out of accredited educational institutions (11, in number) with a bachelor's degree in actuarial science are qualified actuaries. A fair share of them do go on to have fantastic actuarial careers without having to go through a grueling examination process that we have all willingly subjected ourselves to.



Yet, we see an increase in the number of SOA exam takers. There are many contributors to this phenomenon. Firstly, the fast growing Mexican insurance industry, far outpacing that of the United States in real annual growth, has continually attracted foreign capital. This has both directly and indirectly influenced some local actuaries, as well as many currently enrolled actuarial students, to embark towards an international certification, which would be a natural choice, for many reasons, being either the SOA or CAS.

There were 3092 qualified actuaries in Mexico in 1999 while 3050 (1997 figure) were enrolled in undergraduate actuarial programs. Is there a burgeoning need for actuaries in Mexico or will the supply severely outmatch the demand in the future? Perhaps none of the former. For one, the undergraduate program in actuarial science provides more than actuaries of the future (i.e. statisticians, marketing analysts, risk managers, bankers). Hence, an increase in demand in the allied fields could be a cause. A supporting statistic to the above is that the combined membership of the AMA and the AMAC is less than 10 percent of the above figure of 3092. If this is the case, then the educational bodies must consider if indeed undergraduate education in actuarial science is still a panacea for all these disparate fields.

Another cause for the discordance in the above figures is that even though many finish their course work and find attractive jobs, they fail to complete their thesis, which is a part of the requirements towards obtaining the degree. Hence, the strong suspicion that the number of actuarial students who have finished their course work could be well above the 3092 mark. Are they the career ASA's of Mexico?

In the days when an undergraduate education was, in most cases, terminal, a good case could be made for the thesis. In present-day Mexico, when a great proportion of students proceed towards a graduate education, the thesis requirement appears to be losing its relevance. Sensing this, some universities have started waiving their thesis requirement and replacing it by the requirement of some formal education beyond the undergraduate course work—a graduate program for example. In one case an actuarial program has waived the thesis requirement for those who pass the first two courses and one of either course three or four of the SOA. While being innovative is very sensible given the direction that the local industry is taking, this is the second reason that the number of exam takers is on the rise.

Could this be the equivalent of a passed referendum to grant voting rights to the career ASAs?

On the financial side, one reason that the number of applicants for the exams has grown is the discount program the SOA offers. This program not only provides a significant discount in the exam fees, but also provides the SOA-published texts at cost. Mexico, one of the countries to which the discount program is directed, to my knowledge, makes good use of it.

Of course, on the promotional side, the ambassadorship program of the International Section at the SOA takes all the credit.

Did you know that the Institute of Actuaries did not admit women prior to 1920? Did you know that they still account for less than 20 percent of the fellows of the institute? If you did, you will be surprised to know that there were more female actuaries who qualified in Mexico in the quinquennial period of 1995-99. Moreover, in 1999, the number of female actuaries stood at 1372, accounting for 44 percent of the profession. If the trend continues, Mexico would perhaps be the first country, with a significant following, to have more female actuaries than male. This is more impressive if when one considers that women, as a group, are a minority in most mathematical disci-

plines just north of the border.

Another important trend in actuarial education in Mexico is that the even though as of 1997 the enrollment in private educational institutions accounted for less than one third, their growth in the past few years has been far higher than that of the public institutions. This and the fact that the Actuarial Research Conference (in 2005), traveling for the first time south of the border, will be hosted by a private institution pointing towards strengthening of the private sector in actuarial education and research.

The above, I hope, was an interesting read. To finish, let me mention that one of my current projects I am passionate about is the setting up of an actuarial club—a la Staple Inn Society, the student's society of the institute of actuaries—at my institute with a core goal of helping students pass SOA exams. Another of its core goals is to help organize extracurricular didactic talks of interest to the students, talks on topics of current interest to the profession, workshops etc. I hope, on one of your trips to Mexico City, you would consider giving us a talk on an actuarial topic that you are passionate about. ¡Hasta pronto!

The above views and opinions are my own and do not reflect that of my employer. □



*Shyamal Kumar, Ph.D., FSA, is associate professor of Actuarial Science at ITAM, Mexico City. He can be reached at shyamal@itam.mx.*

## SOA/Monster.com Partnership Debuts in March!

The SOA is excited to announce a partnership with one of the most recognized job-search Web sites on the Internet—Monster.com. The new co-sponsored SOA/Monster.com site will enable actuarial job seekers to:

- Search a more comprehensive database of actuarial job listings.
- Have access to career-related articles with information about the actuarial profession.

Watch for a blast e-mail with more detailed information about this exciting new partnership in the coming weeks. □

for the insurance industry's development, covering both life and non-life industries. The proposed roadmap was much more progressive compared to other Asian countries, such as China and India, and to its credit, the government has since followed it diligently.



The market liberalization started with the 1993 break up of Bao Viet Insurance Company. The state-owned, non-life monopoly, divided into two competing entities. This was followed by the licensing of several local and foreign joint-venture non-life companies from 1993 to 1995. During this period, the non-life market became relatively more diversified and quite competitive. In 1999, the first 100 percent non-life company, Allianz, was licensed by the government. The total non-life premium has grown from a minuscule amount in the early 90s to more than \$200 million USD in 2002, representing about 0.7 percent of GDP.

Most of the excitement, however, occurs on the life side. In 1996, the first state-owned life insurer, Bao Viet Life, was created. For the first three years, the government kept the life-market closed to foreign companies to give Bao Viet Life the opportunity to acquire the technical expertise, experiment with the different marketing approaches and to establish itself with the consumers. In 1999, the government licensed three wholly-owned foreign life insurers, Manulife Financial of Canada, American International Assurance, the life-arm of American International Group and the Prudential plc, which is based in the United Kingdom. In the same year, the government also licensed Bao Minh-CMG, a life joint

venture between the Colonial Mutual Group of Australia, and Bao Minh, a local insurance company. Since that year, the life insurance concept has literally exploded into winning millions of customers and dramatically transforming the financial landscape of Vietnam.

Market research performed prior to 1999 indicated several favorable factors pointing toward the early successes by foreign life insurers in Vietnam. Firstly, with a long history of a weak banking sector, the people of Vietnam look at foreign financial institutions and saw their desired stability and financial strength. Furthermore, life insurance companies offered, for the first time, a real financial vehicle for the general population who traditionally stashed their savings (literally) under the mattresses in forms of gold bars and U.S. currency. Foreign banks are quite restricted in their scope of operation. Also, the inclination by the Confucius-influenced Vietnamese parents to save for the education of the next generation is extremely strong. Vietnam, even though still quite poor, had all the right conditions for a saving-oriented life insurance market. All foreign insurers expected some degree of success entering the market; however, no one foresaw the magnitude of this latent demand for the products offered by a customer-focused life insurance company.

To illustrate the growth of the market, perhaps we can take a look at the experience of Prudential plc, the market leading player, which currently accounts for roughly half of the entire life market in Vietnam. After just three years of operation, in 2002 Prudential built a tied agency force of almost 40,000 agents, acquired more than one million customers, collected more than \$100 million USD in premiums for the year and has amassed more than \$200 million USD in fund under management. These figures must be viewed in the Vietnamese context where the per capita income is less than \$400 USD per annum and the whole GDP is about \$35 billion USD. In other words, Prudential's annual premium level will soon reach 1 percent of the country's GDP. We can also contrast these results with the "successes" achieved by the foreign life insurers in China collectively. After almost 10 years of operation, the total amount of premiums collected by all foreign life companies in China add up to RMB 3.28 billion or about \$400 million USD for the year 2001. This was achieved in a market with 15 times the population size and



Huynh Thanh Phong, FSA, FCIA, is chief executive officer of Prudential Vietnam Assurance in Ho Chi Minh, Vietnam. He can be reached at [ht.phong@prudential.com.vn](mailto:ht.phong@prudential.com.vn).