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The Development of the Actuarial Profession in Mongolia

By Gantulga Donorov, Oyun Batkhuyag and Batbayar Baasankhuu

The Mongolian insurance market is fairly young and still developing. The first insurance activities began in 1934 when the Government Danger Protection Authority was established to cover fire and flood risks to people's property. The initial products with set tariffs were developed by the Russian state insurance company.

The rebirth of the insurance market started in the late 1990s, when the first insurance law was adopted, making the first step toward preparing the environment for further development of a commercial insurance market. At this stage, eight new insurance companies were established, and this number had grown to 17 by the end of 2016: 15 general insurance companies, one life insurance company and one reinsurance company.

The period from the late 1990s to the late 2000s was dedicated to the development of the commercial insurance market. This included additional insurance regulatory bodies and regulations, training from abroad, introduction of various products and definitions of roles and responsibilities for insurance professionals, including the actuarial profession.

Due to the absence of actuaries in Mongolia, insurance companies initially hired mathematicians or statisticians to fill actuarial positions. Retaining traditional practices, insurance companies used predefined tariffs, which were the same for all companies, and reserves were calculated by predefined rules set by the regulator. Initially, extremely low loss ratios (roughly 20–30 percent) attracted more insurance companies to enter the market. With this expansion, development and increased competition, the need to develop the actuarial profession became increasingly evident.

In 2008, the Society of Actuaries of Mongolia was established through the initiative of Donorov Gantulga, a mathematician who had just completed his actuarial education in the United Kingdom, and Dr. Ravsal Rinchinbazar, a professor from the National University of Mongolia. This was a big step forward in



ORSA training Held by FRC, July 2016.

the development of Mongolia's actuarial community, providing a way of bringing bright minds to the profession and raising awareness about the profession among insurance executives and the general public. As there previously were no actuaries, the society's board consisted of representatives from the regulator (the Financial Regulatory Commission, or FRC), the Social Insurance Office, university professors and insurance company CEOs. The idea behind bringing these people together to form the board was to involve them in the initiative of developing the profession and to encourage them to make their respective contributions. The society's main activities were directed toward attracting actuarial candidates, organizing professional training and advising the FRC on the requirements for actuaries of insurance companies, since the regulator is the authority that grants actuarial licenses according to Mongolia's insurance law.

For instance, through the society's cooperation with the FRC in 2009, the regulator amended the insurance reserves procedure to include and specify the role of actuaries for insurance companies. This was a further impetus for growth in the actuarial profession and for mathematicians to train to become actuaries.

Following this, the society organized a campaign to help all the mathematicians who worked for insurance companies to become members of the Institute and Faculty of Actuaries (IFoA). They were admitted as students to start their journey to become internationally qualified actuaries.

In 2010, the society became an associate member of the International Actuarial Association (IAA). Joining this larger family of actuaries allowed the society to invite famous actuaries to speak at events and to hold international-level seminars and training sessions, which were and still are the essential part of the society's activities. As there were still no actuarial university programs and academics, local actuaries-to-be were in great



Meeting with representatives of Social Insurance project of Jaica, Dec. 2016.



Actuarial Intensive training taught by Michael Sze, June 2016.

need of other opportunities for professional training. To address this, the society decided to recognize actuarial professional examinations conducted by the IFoA as the local equivalent of professional exams and obtained the authority to conduct the exams in Mongolia.

Sitting for internationally recognized actuarial professional examinations in Ulaanbaatar was another big opportunity for local students to start their careers. The difficulty of the examinations and the fact that they are in English present a double challenge for these students, requiring increased preparation by the students and further training support provided by the Society through local professors and visiting actuaries from the United Kingdom.

Currently, the members of the society have passed the first few exams and aim to become associates in the near future. Also, four students are participating in the Asian Actuarial Scholarship Program that is administered in South Korea and includes preliminary examinations and VEE courses. Further growth is expected in this program.

Recently, the society board has officially recognized the Certified Actuarial Analyst (CAA) qualification. Actuarial students will now need to pass all CAA exams and an additional exam on professionalism and legal environment to qualify as a fellow.

The society aims to become a full member of the IAA in near future.

Disclaimer: The views expressed in this article are those of the authors and do not reflect the views of their respective employers. ■



Gantulga Donorov is chairman of the board at Gerege Partners LLC, a local financial consultancy firm, and the president of the Society of Actuaries of Mongolia. He is based in Ulaanbaatar, Mongolia and can be reached at gantulga@geregepartners.mn.



Oyun Batkhuyag is the head of the Risk Management Department for Tenger Insurance and managing director of the Society of Actuaries of Mongolia. She is based in Ulaanbaatar, Mongolia and can be reached at oyun.batkhuyag@gmail.com.



Batbayar Baasankhuu is the head of the Export Trade Credit Insurance Department for the Agricultural Reinsurance State Corporation. He is based in Ulaanbaatar, Mongolia and can be reached at batbayar@agreinsurance.mn.