Actuaries shortage has negative impact on insurance firms

BY K.P. LEE (*The Star, Malaysia, 8 July 2003*)

AN ACUTE shortage of qualified actuarial professionals could affect the implementation of a risk-based capital model for insurance companies as set out under the Financial Sector Masterplan.

The risk-based model that determines an insurer's minimum capital adequacy ratio based on its risk profile would require the expertise of either an in-house or external consultant actuary, both of which are in short supply locally, said Actuarial Society of Malaysia (ASM) president Teh Loo Hai.

In an interview with StarBiz in Kuala Lumpur yesterday, Teh, who is also executive vice-president of Great Eastern Life Assurance (M) Berhad, said the current number of actuarial professionals was inadequate especially in view of the enhanced roles expected from them in the future, with the full implementation of the Financial Sector Masterplan.

He said although there were 44 insurance companies operating in Malaysia, there were only 38 qualified actuaries in the country –of which 28 were Malaysians – clearly demonstrating the extent of the problem. In contrast, Australia had 800 qualified actuaries, while over 5,000 of them were employed in Britain alone, he added.

Teh said Malaysia needed three times the number it had currently. "I think we could make use of at least 100 qualified actuaries immediately," he said.

With an average of 2 or 3 new actuaries qualifying every year, however, the slow growth could stifle any plan to quickly introduce the increasingly globally-accepted prudential risk management standards as the norm into the local insurance industry.

According to Teh, recent changes in Bank Negara guidelines were already putting greater demands on the small number of actuaries in Malaysia.

He said the guidelines introduced after premium rates for some medical and health insurance products were found to be inadequate now required that those rates be certified by actuaries as a step towards greater risk mitigation and customer protection.

"Previously, only life insurers needed actuaries, but now with the new guidelines, even general insurance companies would need the services of an actuary," he said, predicting that competition and customer protection would drive both regulators and more insurers to look at risk.

He said certain requirements like the certification that adequate general insurance reserves were maintained could be introduced, similar to practices in many other developed countries, but this was contingent on an adequate number of local actuaries.

He said the ASM was now working with Bank Negara to study the impact of introducing the risk-based capital model that would apply different capital requirements for different risk profiles based on an insurer's business risk and asset structure.

Founded in 1978, ASM currently has 220 members and this year, the new executive committee is putting priority on four major areas - professional, communication, education and event.