

THIRD AFRICAN ACTUARIAL CONGRESS

THEME: *THE ACTUARIAL PROFESSION AND SUSTAINABLE DEVELOPMENT IN AFRICA*

**PRESENTATION
ON**

ACTUARIAL CAPACITY-BUILDING IN GHANA

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1. INTRODUCTION

- **The relevance of the actuarial profession in development lies in the many areas of its application including traditional areas of application such as : life insurance, pensions & social security, investment, and other recent applications like enterprise risk management, healthcare financing, personal financial advice, general insurance, project finance, personal financial advice, etc.**
- **It is therefore true to say that, absence of these skills in any country means lack of expertise in these application areas, which may require their procurement from foreign sources at high cost**

1. INTRODUCTION (CONT.)

➤ **Sustainable development efforts for any country require provision and upgrade of actuarial skills on a continuous and sustainable basis, hence the planned efforts by Ghana to build capacity in this area, to assist the country's future developmental efforts**



2. COUNTRY CHARACTERISTICS

- **The country is located on the West Coast of Africa, and just north of the Equator. The Greenwich Meridian passes close to the capital city of Accra.**
- **It has an Area of 238, 538 square kilometres, about the same size as Great Britain**
- **The Climate is tropical, with typical rainy and dry seasons.**
- **Accra is the Capital City, with an estimated population of 3 million**
- **Government Type: Democracy - with current Constitution promulgated in 1993 to establish the 4th Republic**

2. COUNTRY CHARACTERISTICS (CONT'D)

- **Executive Authority is vested in the President (with a 4-year term) with legislative functions vested in a 275-Member Unicameral Parliament**
- **The Population is 24 million, with a growth rate of 1.8%. Religion: Christianity is 70% and Moslem 16%, the rest being traditional or none**
- **Workforce: 11.1 million, with about 50% in agriculture and fishing**
- **Health: Life Expectancy is 62 years for women and 60 years for men, infant mortality is 48.6/1000**
- **Official Language is English, with the literacy rate being 58%**

2.COUNTRY CHARACTERISITICS (CONT.)

- **Per Capita GDP (2010): US\$ 1,300**
- **Inflation Rate (Average 2012): 8.8%**
- **Natural Resources: Gold, diamonds, bauxite, manganese, timber, oil**
- **Agriculture: Cocoa, wood products, pineapples**
- **Major Trading Partners: UK, USA, France, China, India, Nigeria, Cote d'Ivoire**

3. ACTUARIAL EDUCATION – CURRENT STATE

- **Four universities are offering courses in Actuarial Science at the undergraduate level; specifically, B.Sc. degree programmes**
- **KNUST (a public university) has started a Masters degree programme in Actuarial Science with volunteers from the Institute & Faculty of Actuaries as guest lecturers. University of Ghana is scheduled to begin a similar programme in the next academic year beginning August 2013**
- **Over the past ten (10) years, about 800 students have graduated in Actuarial Science**

3. ACTUARIAL EDUCATION – CURRENT STATE (CONT'D)

- **A typical syllabus for an undergraduate programme covers courses in Mathematics, Probability & Statistics, Economic Theory, Information Technology, Mathematics of Finance & Investment, Corporate Finance, Life Contingencies, Investment Fundamentals, Stochastic Processes, Demography, and basic applications in Insurance and Pensions**
- **A number of candidates are pursuing the professional examinations of the following professional bodies: Institute & Faculty of Actuaries (UK), Society of Actuaries (USA) though the number is small relative to the number of students graduating from the universities**

ACTUARIAL EDUCATION – CURRENT STATE (CONT.)

- **There are a number of fully-qualified Ghanaian actuaries either with the Society of Actuaries (US), or the Institute & Faculty of Actuaries (UK), but are mostly resident outside the country. There are 15 Fellows and 20 Associates of the Society resident in North America, and 2 Fellows of the Institute & Faculty of Actuaries resident in the UK, 1 Fellow and 4 Associates of the Society resident in Ghana**
- **There exists the Actuarial Society of Ghana which serves as an umbrella organization for all who aspire to the development of the actuarial profession in Ghana**

3. THE ACTUARIAL SOCIETY OF GHANA

- **The need to bring together people with background in actuarial science, as well as those aspiring to join the actuarial profession encouraged the formation of the Society**
- **The Society was formed and inaugurated in June 1996**
- **The objectives for its formation include:**
 - **The promotion of knowledge and research in matters relevant to actuarial science and its applications**

4. THE ACTUARIAL SOCIETY OF GHANA (CONT.)

- **To regulate practice by its members**
- **To promote, uphold and develop the highest standards of professional training, knowledge and conduct among its Members**
- **To promote the status of the actuarial profession, and**
- **To provide the impetus for the rapid and positive transformation of the financial services industry in Ghana**

4. ACTUARIAL SOCIETY OF GHANA (CONT.)

- **In pursuance of these, the Society is guided by a Constitution, a Code of Conduct, and Bye Laws**
- **It has five categories of membership, namely: Fellows, Associates, Students, Honoraries and Institutionals**
- **Currently, the total Membership is a little over 100**

5. ACTUARIAL CAPACITY DEVELOPMENT

Three areas are identified and classified under: SUPPLY SIDE, DEMAND SIDE and POLICY ISSUES, described as follows:

SUPPLY SIDE

➤ **Job opportunities not readily available after graduation for the actuarial science students who were either unemployed, or employed in jobs that did not make use of their actuarial skills**

5. ACTUARIAL CAPACITY DEVELOPMENT (CONT.)

- **An evaluation of the curricular of the Universities showed that none of the programmes complied with the International Actuarial Association (IAA)'s minimum requirements for actuarial science programmes**
- **Actuarial students indicate that their education lacks practical inputs, and as a result, they are unable to put theory to practice**
- **Support from industry and the ASG in the form of internships for students and adjunct lectureships is not available, or at most minimal**

5. ACTUARIAL CAPACITY DEVELOPMENT (CONT.)

- **Graduates felt that their services were not needed by the industry, thus most of them are reluctant to pursue the professional qualifications**
- **Attraction from other professions which are thought to be relatively easier to qualify; for example: ACII (for Insurers), CFA (for Financial Analysts), ACCA (for Accountants) etc.**
- **Lack of internship opportunities and weak link between academia and industry**
- **Lack of mentorship and tuition for the professional examinations for candidates**

5. ACTUARIAL CAPACITY DEVELOPMENT (CONT.)

DEMAND SIDE

- **Actuarial personnel in insurance companies have minimal or no actuarial professional background, majority being Chartered Insurers or professionals from other disciplines**
- **The life insurance companies depended largely on external actuarial consultants or the support of their parent companies abroad**
- **Investment from insurers in recruiting qualified staff or training in-house actuarial personnel, is lacking**

5. ACTUARIAL CAPACITY DEVELOPMENT (CONT.)

POLICY ISSUES

- **In the near future, all insurance companies – both life and non-life, will be required to have an in-house actuarial function performed by qualified actuarial personnel from fully-accredited Actuarial Societies of the IAA and approved by the Insurance Regulator**
- **The objectives for the actuarial function are the following:**
 - **To ensure that the technical functions are carried out by suitably qualified staff**

5. ACTUARIAL CAPACITY DEVELOPMENT (CONT.)

- **To ensure that key stakeholders are kept informed in respect of the financial status of the insurer**
- **To fast track the development of the application of actuarial skills within Ghana so that, Ghanaians working and operating within Ghana, are able to provide the bulk of the actuarial skills required by the Ghanaian insurance industry within a five-year time frame**

6. THE WAY FORWARD

➤ The Regulatory reforms which will culminate in a new Insurance legislation with requirements for:

- Implementation of Risk-based supervision
- Adoption of International Financial Reporting Standards
- In-house actuarial function for each insurance company will provide an impetus for actuarial capacity building in Ghana

➤ The principal responsibilities of the actuarial function are the evaluation and the provision of advice to the insurer concerning:

THE WAY FORWARD (CONT.)

- The technical provisions
- Premium and pricing activities
- Scenario and sensitivity testing
- Compliance with related statutory and regulatory requirements including:
 - the insurer's actuarial and financial risks, investment policies and valuation of assets,
 - solvency position covering minimum capital requirements,
 - liability and loss provisions,
 - underwriting and reinsurance standards,

6.THE WAY FORWARD (CONT.)

**product development and design,
experience reviews and profit testing,
financial condition report, etc**

- **The National Pensions Act also provides an opportunity for actuarial capacity building.**
- **The Act requires Trustees of the private pension Schemes to have the requisite knowledge of following:**

6. THE WAY FORWARD (CONT.)

- the law relating to the funding of private pension schemes and investment of the assets
- be conversant with the Trust Deed and Schemes Rules

These are competencies that lie readily within the arms of actuaries.

There are currently registered with the Pensions Regulator:

6. THE WAY FORWARD (CONT.)

- 15 Master Trust Occupational Pension Schemes with 18 extra provisional ones
- 45 Employer-sponsored Occupational Pension Schemes with 14 extra provisional
- 17 Master Trust Provident Fund Schemes with 8 extra provisional,
- 26 Employer-sponsored Provident Fund Scheme with 13 extra provisional
- 1 Group Personal/Personal Pension Scheme with 8 extra provisional

There is potential for hundreds of Schemes registering – all with opportunities for actuaries to offer some support

6. THE WAY FORWARD (CONT.)

German Development Cooperation (GIZ) & National Insurance Commission (NIC) Support:

➤ **A platform, the Actuarial Capacity Development Coordinating (ACDC) Group, has been created by GIZ and NIC to enable all relevant stakeholders actively participate in, and make the necessary contributions to the building of actuarial capacity in Ghana**

➤ **The Group is made up of NIC, Ghana Insurers Association, Ghana Insurance College, the Universities, and the ASG**

6. THE WAY FORWARD (CONT.)

- **The Group is currently focusing on four main areas of capacity building, namely:**
 - **Teaching & Training**
 - **Practice**
 - **Regulation**
 - **Research**
- **The Group, with sponsorship from GLZ, is collaborating with a number of institutions both within and outside Ghana in its efforts to build effective capacity. It has done a situational assessment and produced an initial concept paper**

6. THE WAY FORWARD (CONT.)


- For instance, it is collaborating with the Institute & Faculty of Actuaries (UK) to conduct an assessment of the actuarial landscape in Ghana and make recommendations on the way forward.
- The Group is liaising with the Institute & Faculty of Actuaries to implement the Actuarial Analyst qualification course in Ghana

The Actuarial Society of Ghana's Efforts:

- With the support of GIZ, the ASG has opened a well-equipped Secretariat
- The ASG is working towards attaining full membership of the IAA

6. THE WAY FORWARD (CONT.)

- **Efforts by the ASG has centred on seminars and workshops for its members, and developing links to promote the profession in the country**
- **ASG is out to support reform and upgrade of the actuarial science curricula at the Universities in Ghana in terms of contents and quality of teaching, including a link-up with the older professional bodies for support and teaching personnel**

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- **Emphasis on continuing professional development for the ASG membership, and proposed linking up with bodies such as 'Actuaries without Borders', 'Worshipful Company of Actuaries' to support these programmes**
 - **Efforts to develop greater links with industry for internship and employment opportunities, and adjunct lectureship for academia**
 - **Encouraging Members to take advantage of distance learning courses (e.g.: University of Leicester)**

7. CONCLUSION

- **A very promising future awaits the actuarial profession in Ghana provided the necessary collaboration with the relevant stakeholders is encouraged, and the appropriate commitments respected**
- **A lot of goodwill to support this development is clear, considering for instance, the extent of commitment and enthusiasm exhibited, for instance, by the Development Agencies such as the German Development Cooperation**
- **There is need for greater collaboration with other African Actuarial Association to share experiences and possibly form a larger umbrella Association to support the actuarial Professions development on the continent**

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**Thanks for
your participation!**

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