International Actuarial Association
Building up the Actuarial Profession in Africa

The Actuarial Profession in Kenya

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Agenda

- **About The Actuarial Society of Kenya**
  - History
  - Objectives
  - Structure

- **The actuarial profession in Kenya**
  - Numbers and areas of practice
  - Actuarial education
  - Statutory roles
  - Pensions and insurance sectors in Kenya

- **Challenges facing the actuarial profession in Kenya and industry issues**

- **Update on some relevant TASK initiatives**
About TASK
The Actuarial Society of Kenya

- Registered 1993
- Launched in 2005
- Brings together qualified and trainee actuaries in professional, educational and research organisations with an aim of promoting the actuarial profession in Kenya and E Africa
- TASK functions through its governing Council and Committees (functional, administrative and ad hoc)
- Work on three year Strategic Plan in progress
TASK Vision

“To position the Actuarial Profession in Kenya and the region as the leading profession in the areas of modeling and management of financial risks and contingent events”
Key TASK Objectives

- To develop and strengthen the actuarial profession in Kenya
- To create a forum for members of the actuarial profession to meet and exchange ideas
- To support and protect members and present common professional interests to Government and policymakers
- To play an active role in actuarial education and the development of local actuarial expertise, professional standards and guidance
- To encourage research in the development of actuarial ideas
- To improve the education of financial consumers and raise public interest issues
- To broaden the scope of the actuarial profession and promote our contribution in wider fields
- To establish links with other professional associations in Kenya and internationally with similar objects
TASK Progress to Date

- **Revised constitution still in draft**
  - Considerable time spent on membership categorisation
  - Strong pressure to include special Associate categorisation for non-statutory work

- **Intent to become full member of IAA by end 2007**
  - Committee working on professional code of conduct, which includes IAA common principles of GCAE
  - And Disciplinary process
  - Formal process for adoption of standards of practice
  - Borrowing heavily from other actuarial associations for code of conduct and guidance notes
TASK Progress to Date

- **No of working committees**
  - Membership & PR, Retirement and other Employee Benefits, Insurance and Health Care, Professionalism, Education and Research, Investments and Wider Fields, Secretarial Finance and Fund Raising
  - Disciplinary and Appeals
  - Performance erratic

- **Strategic Plan – needs wider input**
The Actuarial Profession in Kenya
Numbers

- 4 qualified actuaries
  - 3 Fellows of the Institute of Actuaries
  - 1 Associate of the Society of Actuaries
- 40 partly qualified currently working in field
  - Excludes those who have graduated from local Unis with actuarial science degrees
  - Many have given up on actuarial examinations
  - Good number has dropped actuarial examinations for CFA
- Over 500 actuarial students at three local Unis:
  - UoN - started 2000, currently about 240 students, intake of 60 per year, 60ish already graduated
  - JKUAT - started 2002, currently over 500, intake of 200
  - Maseno – started 2006, first intake of 30 students
Actuarial Education

- **Degree programmes aim to teach full core technical subjects excluding ACC**
  - Programme attracting brightest and talented students
  - But still need to assess minimum entry standards
  - Large streams
  - Academic staff likely to be strained
  - Bigger issue of capacity of market to absorb actuarial graduates in traditional fields (life insurance companies and consulting firms)
  - Uni programmes not accredited
  - Also undergrads seem not to be able to register with IoA and do IoA exams whilst in college

- **TASK committed to supporting local Uni programmes**
  - Resource and time constraint
  - Two qualified actuaries have offered to teach
  - & Participate in course reviews and examination marking
Areas of employment

- **Actuarial work as employee of:**
  - Life insurers: 19
  - Health care organisations: 3
  - General insurers: None
  - National social security schemes: None
  - Complementary pensions: None
  - Investment company: 3
  - Regulator or Govt Departments: 6
  - Banks: 15

- **Consulting actuary working mainly in:**
  - Life insurance: 3
  - Heath care: 2 (part of time)
  - General insurance: Not much
  - Social security: 2 (part of time)
  - Pensions: 12
  - Investment: 3
Statutory Roles & Issues – Insurance

- **Insurance Act Cap 487**
  - Actuarial certification of long term insurance premium rates
  - Annual statutory actuarial valuations of life funds
  - Independent actuary report on mergers, acquisitions
  - Actuary defined a FIA or FFA or such other as approved by Commissioner
  - Note Dept upgraded as Insurance Regulatory Authority from 1 May 2007
  - Full review of Insurance Act underway – RBC and RB solvency margins

- No statutory actuarial role for non-life or health care currently
- Position paper lobbying for actuarial certifications of technical provisions and of insurer financial condition submitted
- **TASK hopes to play key role in review of Insurance Act**
Statutory Roles & Issues – Pensions

- **Retirement Benefit Act No 3 of 1997**
  - Triennial actuarial valuations of DB schemes
  - Minimum funding actuarial valuations (no prescribed basis) and statutory remedial plans
  - Actuarial certifications of amendments effecting financial health
  - Actuarial evaluation on winding up
  - Actuarial certifications of transfer values and commutation terms
  - Initial statutory requirement for actuarial reviews of DC schemes dropped in 2004
  - Regulations on scheme conversions being prepared
  - Actuary defined as person recognised as such by IoA, FoA, SoA, CIA, AIA, JIA

- Some provisions in Income Tax Rules on treatment of actuarial surpluses and deficits
Snapshot of Insurance Industry in Kenya

- 46 companies of which 23 transact life
- Most life companies composite
- Estimated total annual premium 2007 of K Shs 40bn (US$ ) comprising:
  - Life K Shs 12bn (US$ )
  - Non-life K Shs 28bn (US$ )
- Estimated total assets of K Shs 100bn (US$ )
  - Life K Shs 55bn (US$ )
  - Non-life K Shs 45bn (US$ )
- Total aggregate share capital 2005 estimated at K Shs 30bn with total disclosed profit of K Shs 4bn
- No company has resident qualified actuary and only a handful have actuarial departments
Snapshot of Retirement Industry in Kenya

- Sector comprises:
  - Unfunded PAYG PSSA
  - NSSF – DC provident fund (K Shs 60bn est)
  - Occupational schemes (K Shs 170bn est)
- Legislation has focused on enhancing protection of members’ benefits and improving governance of schemes
- Pronounced trend to DC – particular concerns re contribution rates, distribution and equity of allocation of returns to member accounts, conservative investment strategies, member communication
- Re-engineering of public service schemes
- Dichotomy of debate re pensions reform
- National Pensions Policy proposed with co-ordinated strategy
  - Studies to introduce universal zero pillar social assistance programme
  - Reform of NSSF
  - Proposed conversion of PSSA to NDC for new entrants
Challenges facing Actuarial Profession in Kenya

- Lack of understanding and hence appreciation by industry and regulators of the whole set of services that actuaries can offer
- Most life insurance companies will only call actuaries to undertake yearly actuarial valuations and certify rates for new life products
- Trend to DC limiting traditional DB actuarial role
- Perceived high cost of actuarial services
- Effective implementation of actuarial recommendations
- Actuarial education, resource and capacity constraints and lack of accreditation
- Capacity of market to absorb actuarial science graduates in traditional fields – frustration and disillusionment of actuarial graduates
- Challenge from other courses – CFA
- Mentoring and training of students
- Wider fields not happening and hard sell, but some individual actuarial graduates have done well in banks, investment houses and IT
Challenges facing Insurance and Pension Sectors in Kenya

- **Insurance Industry**
  - Low level of penetration of insurance particularly life insurance
  - Customer focus, marketing and distribution strategies, product innovation
  - Trained man-power across the insurance value chain
  - IT and processes
  - Operational, financial and risk management strategies
  - Pricing and reserving
  - Lack of data and statistics
  - Fierce competition and rate under-cutting
  - Insolvencies and financial distress of insurers and HMOs
  - Move to fair value accounting and risk based capital
  - Insurance company taxation
Challenges facing Pension Sectors in Kenya

- Low coverage
- Move to DC and associated challenges
- Public sector scheme actuarial deficits
- Pensions policy dichotomy

- Challenges can in fact be opportunities for actuarial profession in Kenya
Update on some relevant TASK initiatives

- Strategic Plan
- IAA membership – code of conduct etc
- Formal internship programmes
- Actuaries to volunteer to teach at local Uni programmes
- Proposal to regulate role of actuarial profession in Kenya and TASK as statutory professional body
- Forum for regulators and policy makers
- Forum for CEOs of insurance companies
- Work done by actuarial firms on developing mortality tables for insured lives and testing of motor insurance rates for Association of Kenya Insurers
- Project ideas and sponsorships for students
- Project on comparison of international insurance and pensions regulations
- Two position papers to date to Ministry of Finance
- Actuarial appreciation course in the local insurance syllabus
- Need for more member meetings and forums – two monthly forums
- Professionalism course for actuarial practitioners
TASK Vision 2010

- Achieve full IAA membership – 2008
- Vibrant and dynamic actuarial profession
- Strengthen statutory roles in traditional fields
- Local universities accreditation – 2010
- Participate actively in International Congress of Actuaries in SA 2010
- Help we need and suggestions
  - Collaboration with IAA and African actuarial associations
  - IAA assistance on education strategy
  - Regular interaction with peers in Africa and other countries
Thank You