DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

Gantulga Donorov

Session: Actuarial Association Life Cycle Panel Discussion

Joint IACA, IAAHS and PBSS Colloquium in Hong Kong
www.actuaries.org/HongKong2012/
DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

CONTENTS

1. Overview
2. Actuarial education in Mongolia
3. Demand for actuarial works
4. The Society of Actuaries of Mongolia
5. Future of the profession
1. OVERVIEW

- The origin was driven by the demands of the insurance industry
- Mongolian insurance industry: 16 general insurance companies and one life insurance company
- Statutory duties of actuaries were first introduced in the *Law on Insurance* in 2004
- The Financial Regulatory Commission (FRC) of Mongolia was established in 2005
- The FRC certifies and regulates actuaries in Mongolia
DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

1. OVERVIEW

- The Society of Actuaries of Mongolia was formed in 2008
- The Society is a non-examining body
- The Institute and Faculty of Actuaries, UK exams since 2009 in Ulaanbaatar
- Lack of professional skills and experiences on the local market
- Actuarial profession is at very early stages of development and poorly practised in Mongolia
- Awareness of the profession and interest is growing among graduates
2. ACTUARIAL EDUCATION

- Short-term actuarial training courses organised at the FRC of Mongolia in the past
- Actuarial seminars among the students organised by the professors of the National University of Mongolia since 2008
- First bachelor degree bachelor program will be introduced at the Tsahim Urtuu University, Mongolia, September 2012
- The National University of Mongolia is interested in introducing actuarial courses at the post graduate level
- The Faculty and Institute of Actuaries, UK provided soft copies of Core Reading Materials free of charge
- The Society organises exam tutorials
3. DEMAND FOR ACTUARIAL WORKS

Main areas that involve actuarial professionals

- Statutory roles
  - Insurance companies must undertake annual actuarial review (FRC Resolution No 212 of 2007, amended on 23.11.2011)
  - IBNR reserves, the additional reserve for unexpired risks of general insurance companies (FRC Resolution No 232 of 2009, amended on 17.12.2011) and long term insurance reserves (FRC Resolution No 276 of 2009) calculated by actuaries
  - However, these regulations are not fully practised due to lack of professional skills and experience in the local market
3. DEMAND FOR ACTUARIAL WORKS

Main areas that involve actuarial professionals

- Statutory roles

- Insurance companies must undertake annual actuarial review (*FRC Resolution No 212 of 2007, amended on 23.11.2011*)

- IBNR reserves, the additional reserve for unexpired risks of general insurance companies (*FRC Resolution No 232 of 2009, amended on 17.12.2011*) and long term insurance reserves (*FRC Resolution No 276 of 2009*) calculated by actuaries

- However, these regulations are not fully practised due to lack of professional skills and experience in the local market
DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

3. DEMAND FOR ACTUARIAL WORKS

Main areas that involve actuarial professionals

- Drivers’ TPL Compulsory Insurance

- A first compulsory insurance law, Law on drivers insurance, (Drivers TPL compulsory insurance) introduced on 06 October 2011, effective from 01 January 2012

- According to the current insurance law of Mongolia, premium rates for compulsory insurances must be determined by the Governmental Bodies and companies who participate in the scheme must adopt the approved rates
DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

3. DEMAND FOR ACTUARIAL WORKS

Main areas that involve actuarial professionals

- Index based livestock insurance project

  - Livestock insurance is a pilot project introduced in 2005 backed by the Government of Mongolia and the World Bank
  - In the first phase of the project, it was introduced in 4 provinces (out of 21) in Mongolia; 15 provinces in 2011, nationwide cover (21 provinces) by 2012
  - Product design and index based ratings were structured with the help of the international experts
  - The pilot project will end at the of 2013 and will continue as a commercial insurance scheme
4. THE SOCIETY OF ACTUARIES OF MONGOLIA

- Established in November 2008
- Main objectives:
  - to contribute to the development of the actuarial science and its applications in Mongolia with the support of the professionals in finance and insurance sectors, economics and mathematics;
  - to promote the actuarial profession in Mongolia;
  - to contribute to the development of insurance industry in Mongolia;
  - to contribute to the development of risk management area of insurance, banking and financial sectors;
  - to cooperate with the relevant international organizations; and
  - to train and support the students taking the actuarial exams.
4. THE SOCIETY OF ACTUARIES OF MONGOLIA

Milestones

- The Faculty and Institute of Actuaries, UK exam in English in Ulaanbaatar since September 2009
- Attended ICA 2010 in Cape Town, South Africa, March 2010, with support of the IAA
- Established relationship with the Actuaries Without Borders (AWB) of the IAA and commenced a discussion about potential assistance, April 2010
- Signed a Memorandum of Understanding with the Financial Regulatory Commission of Mongolia, April 2010
- Became an Associate member of the IAA, October, 2010
- “The role of the actuary in the economy and in the financial sector” seminar organised by the IAA in Ulaanbaatar, November, 2011
4. THE SOCIETY OF ACTUARIES OF MONGOLIA

Actuarial exams
- The Society is a non-examining organization and follows the examinations of the Faculty and Institute of Actuaries, UK
- Actuarial Exams:
  1. **CT1**: Financial mathematics
  2. **CT2**: Finance and financial reporting
  3. **CT3**: Probability and mathematical statistics
  4. **CT4**: Models
  5. **CT5**: Contingencies
  6. **CT6**: Statistical methods
  7. **CT7**: Business economics
  8. **CT8**: Financial economics
  9. **CA1**: Actuarial risk management
  10. Law and regulation, professional ethics and code of conduct

The current exam requirements of the FRC of Mongolia – Exams of Financial mathematics and Probability theory of the IAA full member organization.
4. THE SOCIETY OF ACTUARIES OF MONGOLIA

Actuarial exam results

- First actuarial exam were taken in April 2010 in Mongolia and 5 students were enrolled
- Second actuarial exam were taken in September 2010 and 4 students were enrolled
- 1 pass in 9 attempts
- Third actuarial exam, 5 students in September 2011, 1 pass
- Fourth actuarial exam 4 students in April 2012
- Tutorials were organized for the students taking the exams
5. FUTURE OF THE PROFESSION

Opportunities

- **Insurance industry**
  Demand for actuarial professionals in the insurance industry is growing
  Good support from the Regulator (FRC) in the development of actuarial profession in Mongolia

- **Pension and health care**
  Current pension and health insurance schemes in Mongolia are run by the Government
  Pension scheme reform is a current hot debate and involvement of actuarial skills and expertise is expected
5. FUTURE OF THE PROFESSION

Opportunities

- **Risk management**
  Mongolian economy is expected to grow rapidly over the coming years due to vast mineral resources
  Demand for risk specialists is expected to grow

- **Investment and finance**
  Actuarial professionals are well equipped with quantitative skills and models to carry out the increasing number of investment evaluations and projects
5. FUTURE OF THE PROFESSION

Objectives/challenges:

- Capacity building of the Society through PPP and cooperation with the IAA
- Promote the actuarial profession and attract bright students into the profession
- Set up an effective actuarial education system in Mongolia
- Cooperate effectively with the FRC of Mongolia
- Assist students taking exams and improve pass rates
- Get involved and contribute to current and upcoming projects in Mongolia and to protect the public interest
- Further develop a relationship with IAA and other counterparts and get professional assistance
- Become a full member of the IAA in near future
DEVELOPMENT OF ACTUARIAL PROFESSION IN MONGOLIA

Thank you