

- Paper/presentation Title: **The Actuarial Profession in Bangladesh** – Challenges and Prospects.
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Abstract:

Actuarial Service is essential in Life Insurance Company for Product Designing, Pricing, Mortality Investigation, Reserve Calculation, Valuation etc. But surprisingly in the last four decades the Actuarial Profession in Bangladesh was limited in pricing & valuation only to meet up the Statutory issue. Notable that there were 3 or fewer Actuarial desks in the Life Insurance Industry since 30 March 2012.

After independence of Bangladesh in 1971 the only state owned Jiban Bima Corporation (JBC) and General Insurance Corporation (GIC) were established. In 1984 Private Insurance Companies started their Service. In 2000 there were 18 Life Insurance companies including State owned JBC and foreign ALICO.

Recent statistics 2011 by Bangladesh Insurance Association reported that Life Insurance business is expanding at an impressive rate of 26.7%.

Parliament on 03 March 2010 passed two insurance laws in a bid to further strengthen the regulatory and make the industry operationally vibrant. The new laws, came in to on 18 March 2010, are Insurance Act 2010 and Insurance Development and Regulatory Authority (IDRA) 2010.

As per IDRA Circular no. Life 02/2012 it was mandatory to open Actuarial Desk in every Life Insurance Company of Bangladesh. As a result Actuarial Desks were opened and Actuarial Students were engaged in these desks. IDRA also imposed some restrictions to the Actuarial Practice in Bangladesh. Out of 2 qualified actuaries 1st one is the FSA serving as the Chairman of IDRA and another one is AIA the Chairman of JBC as well as the consulting actuary of all most private Life Insurance Companies. The recent demand of the Actuarial service in Bangladesh the actuarial students have to face a lot of challenges and opportunities. This Paper is a step to trace out the Challenges and Prospects of the Actuarial Profession in Bangladesh.

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1. Background of the Actuarial Profession in Bangladesh:

Bangladesh became independent in 1971. In 1972 Insurance industry was nationalized and controller of Insurance was established. That time Government invited late **Mr. Shafat Ahmed Choudhury - FIA** from London and appointed him as the chief controller of insurance to reforms the insurance rules and regulations. In 1984 Government decided to establish the private sector insurance. In that time 6 Life Insurance and 9 Non-Life Insurance companies were approved to operate insurance business in private sector. Late **Mr. Shafat Ahmed Choudhury - FIA** then opened actuarial desk in one of the prominent life insurance company voluntarily. About 4-6 bright student joined with him to support that Actuarial desk. Some of them took part the professional examination under SOA by dint of the personal efforts of late Mr. S A Choudhury because that time there were no Professional Actuarial Organization in Bangladesh. In 2000 Mr. A. K. M. Elias Hussain the Director of Bangladesh Insurance Academy(BIA) that time signed a Memorandum of Agreement with the former Actuarial Society of India (ASI) to arrange the professional examination of ASI in Bangladesh. In 2007 some young Actuarial Students formed the Actuarial Society of Bangladesh (ASB). ASB became the Associate member of the International Actuarial Association (IAA) in 2011. ASB represented the Institute and Faculty of Actuaries (IFoA) education system among the actuarial student in Bangladesh. ASB have 45 active actuarial students, 26 of these student partly qualified 1-6 CT subjects either from IFoA or Institute of Actuaries of India (IAI) or from the both organizations till 2012. A very few students are taking part to the SOA examination. There is no academic actuarial discipline in any University in Bangladesh. Until 31 March 2012 actuarial desk was not mandatory in life insurance companies. The Actuarial Profession became mandatory in the Life Insurance Company by the Insurance Act. 2010 which is a historical steps and mile stone for the development of the actuarial profession in Bangladesh.

2. Prospects of the Actuarial Profession in Bangladesh:

Bangladesh is a developing nation and its economy is vibrating. The **GDP growth rate** is 6.1% and **GDP (purchasing power parity) \$305.5 billion** (2012 est.). Financial institutions involvement, investment is increasing for more development. Bangladesh Bank the Central Bank of Bangladesh approved six new commercial private bank in the first quarter of the 2013 and confidential source confirmed that about ten private life insurance companies are selecting for approval within a few months out of 65 applications to establish new insurance companies. The total no. financial service provider market is about 300 which is indicating the significance of the necessity of the Actuarial Profession.

- Financial Service Organizations are increasing.
- Financial Service Organizations are trying to be professional and assure the quality service.
- Financial Service Organizations are demanding sound professionals.
- Investment in Financial Market is increasing simultaneously more risks are involving.
- Portfolio and Risk Based Management are increasing.

3. Present Situation of the Actuarial Profession in Bangladesh:

3.1 Financial Market and Actuarial Profession in Bangladesh:

SL	Financial Service Organization	no. of Organizations	Actuarial Service	Actuarial Ser.Staff	Remarks
1	Bangladesh Bank (BB) -The Central Bank	1	No	0	
2	Insurance Dev. Regulatory Authority (IDRA)	1	No	0	
3	Microcredit Regulatory Authority (MRA)	1	No	0	
4	Life Insurance Company	18	Yes	19	
5	Non-Life Insurance Company	44	No	0	
6	Local Commercial Bank	37	No	0	
7	Specialized / Development Bank	5	No	0	
8	Foreign Commercial Bank	9	No	0	
9	Non-Banking Financial Institutions	33	No	0	
10	Capital Market	2	No	0	
10	Microfinance Institutions & NGO	100+	No	0	
	Total	251+		19	

3.2 Actuarial Professionals in Bangladesh – Qualification and Sector wise Distribution:

SL	Professional Status	IDRA	Con- sulting	JBC Gov. Ins	Pv. Life Insu.	Non- Life Insu.	NBFI	Bank- Ordinary Job	Teac hing	NGO Act. Serv.	Other Serv	Un Emp loyed	Total
1	Fellow Actuary	1	0	0	0	0	0	0	0	0	0	0	1
2	Associate Actuary	0	1	1	0	0	0	0	0	0	0	0	2
3	Partly Qualified Student	0	0	0	11	0	1	7	2	1	7	12	41
4	Active Student	0	0	0	8	0	0	3	9	0	0	0	20
	Total	1	1	1	19	0	1	10	11	1	7	12	64

3.3 Mandatory Actuarial Desk in the Life Insurance Company since March 2012:

Actuarial Desk Status		
Yes	No	Total
14	4	18

Actuarial Desk Activity Status		
Active	Inactive	Total
8	10	18

Findings:

- Though it is mandatory but unfortunately **22%** Life Insurance companies **don't have the Actuarial Desk** and rest of the **78%** **have the Actuarial Desk**. Most of the Owners and decision makers of these companies are disconcerted and disinterested to open Actuarial desk
- Surprisingly **55%** Actuarial Desks are **Inactive** and only **45%** desks are **Active**. No guidance, supervision about the Standard practice of the Actuarial Profession both from the IDRA and Companies. Newly established (2007) the Actuarial Society of Bangladesh (ASB) is trying hard to set up standard practice norm but failing due to non-cooperation.

3.4 Comparison of the Salary Structure of the Actuarial Profession to Other Professions:

The Salary Structure of the Actuarial Profession in Bangladesh does not based on the standard procedure as considered internationally - subject qualifying and experience. The market based salary survey report for this paper is conducted confidentially.

3.4.1 Salary Structure of the Actuarial Profession:

Qualification Tupe	Minimum \$ PA	Maximum \$ PA	Median \$ PA
Active Student	3500	3600	3500
1 Subject Qualified Student	3750	4500	3800
2 - 5 Subject Qualified Student	5000	10000	6000
6 - 8 Subject Qualified Student	11250	20000	12000
Associate Actuary	NA	NA	NA
Fellow Actuary	NA	NA	NA

3.4.2 Salary Structure of Chartered Accounting Profession:

Qualification Tupe	Minimum \$ PA	Maximum \$ PA	Median \$ PA
CA Student	4500	7500	5000
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
Associate CA	11500	37500	15000
Fellow CA	38000	70000	45000

3.4.3 Salary Structure of MBA:

Minimum \$ PA	Maximum \$ PA	Median \$ PA
4500	25000	6000

Findings:

- Entry level Actuarial salary is lower than CA or MBA which is a vital cause of anxiety and Frustration for the student and as well as for the Actuarial Profession. Most of the case the entry level Actuarial student have to face the worst situation to maintain the education cost due to poor salary and no more financial benefit or grant for their intellectual service.
- Chartered Accounting Profession is well known and prestigious profession than the Actuarial Profession. Though MBA is an academic degree but it is very popular in our financial market.
- Most of the Owners, decision makers of these companies are non-concern about the Professional Education system and the degrees of difficulties or even the cost of the education system.

4. Work Place:

It is believed that the Actuarial work place is one of the best comfortable, safer and decent than any other work place around the world. But the situation in Bangladesh is different in Bangladesh in some cases. A confidential survey was conducted confidentially about the work place of the Actuarial Desk in the Life Office of Bangladesh. Most of the office provided satisfactory work place for the Actuarial Staffs, Two Offices provided the actuarial desk with general staffs what is less satisfactory and a company provided the Actuarial Desk in ICT department Hardware section what is very indecent and risky also because the electric lines, router, data cables is just behind the Actuarial desk. This matter was verbally informed to that management but they were reluctant and neglected the matter with dam care.

5. Actuarial Education Support Program:

Education support for an actuarial student is a vital issue. An standard practice is followed in the actuarial community around the world but in Bangladesh the situation is very different and some times it very painful also. As per the confidential survey report 60% companies don't pay any financial support for actuarial education, rest of 40% companies pay the examination fees only after passing examination case to case and person basis but no financial support to purchase actuarial books or materials. Most of the company's management disagree to support the examination preparation time for the actuarial student in office time. That is why the actuarial student are facing very hardship and 6 students having two-five years experience already changed their profession which is a cause of narrowing the actuarial profession in Bangladesh.

6. Employee Service Benefits like Group Insurance, Provident Fund, Gratuity etc.:

Actuaries are the architect of Insurance products, workmen compensations, pension etc. But the service benefit situation is completely different. Out of 18 Life Insurance companies 67% companies don't provide Group Insurance, Health Insurance, Pension for their employees where as only 33% companies provided which is very pathetic. Provident Fund and Gratuity are provided by 67% Life Insurance and rest

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33% companies don't provided the facilities. 89% companies don't provided Pension where as only 11% companies provided the Pension facilities to their staffs. The overall scenario is as follows -

Employee Benefit	Yes	No	Total
Group Insurance	6	12	18
Health Insurance	6	12	18
Provident Fund	12	6	18
Gratuity	13	5	18
Pension	2	16	18

7. Major Challenges for the Actuarial Profession in Bangladesh:

- Actuarial Profession is Non-Obligatory in the Financial Service other than Life Insurance.
- Absence of efficient and unique Financial Service Authority (FSA).
- Coordination less Financial Service Authorities (FSA).
- Absence of proper Leadership, Guidance and Patronization.
- Non-Concerning about the Actuarial Profession to the decision maker, entrepreneur, employer and others.
- No Standard Salary and Package benefit, study support profram for the Actuarial Profession. Standard Minimum Pay and Package is the most essential for the Actuary of the future.
- Surprisingly it was fount that many company owners, management or even colleagues were complained against the Actuarial desk that Actuarial Student don't have any work and they are just consuming the revenue of the company. Two Life Companies closed the Actuarial desk recently without the permission of IDRA, harassed these students and forced them to do ordinary job, which is an alarming situation for the profession in Bangladesh !

8. Some Proposals:

- International Actuarial Organizations, Community should pursue the matter to suggest our government, Regulatory Authority, Bangladesh Insurance Association or related organization for the necessity of the profession immediately.
- Awareness buildup program for our financial Institution owners, employers, management should be arrange by the International or Regional Actuarial Organization.

9. Conclusion:

The Actuarial Profession is one the best prestigious profession around the Globe. Bangladesh is a developing country and many challenges are there. In spite of these we are the pioneer of Micro-credit, Nobel laureate and the 67th nation to summit the peak of the Mount Everest, the highest mountain in the world. So we are very hopeful that Bangladesh will lead the Actuarial Profession in the world within a few days.

The End

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About the Author

M. Ahsanul Haq is highly dedicated volunteer for the Actuarial Profession in Bangladesh. He is one of the leading person to form the Actuarial Society of Bangladesh (ASB) and the founding Treasurer. He is engaged in investigating the **Mortality Trend of Bangladesh in Life Insurance**. His research paper was presented in the **29th International Congress of Actuaries (ica2010 Cape Town South Africa)**. He has 17 years professional experience in Life Insurance Management in home and abroad. He served in all the most technical departments - Claims, Underwriting, Reinsurance, Servicing, Human Resource & Administration, Development Administration including **Actuarial** and Insurance Education, Training etc. He participated in many International & National Professional Seminars around the world.

Professionally he is an Actuary Trainee in the Institute and Faculty of Actuaries, UK. Academically he achieved **M. Sc** degree with **B. Sc (Honors)** in **Statistics** from University of Rajshahi, the 2nd largest University in Bangladesh.

He is involved in many positive Social Movement in Bangladesh. He is a Nature Photographer and popular writer about Traveling, Birding, Adventure etc. His photographs were exhibited, published in home and abroad. The Encyclopedia of Flora and Fauna Bangladesh is a prestigious national publication by the Asiatic Society of Bangladesh where his bird & Wildlife photographs and articles were published. His write-up and photographs have been publishing since 1982 in the most leading newspapers, magazines in Bangladesh. In his leisure time he like to listen music and passing time with family.