



Actuaries bridging the technical gap

The actuarial profession has gained prominence rapidly in the MENA insurance industry over the past few years. We spoke to **Badri Management Consultancy's Mr Hatim Maskawala** about the future of the profession in the region.

By Jimmy John

Until a few years ago, actuaries in the MENA region were employed primarily in life insurers and only a handful of non-life insurers relied on them. The situation has evolved rapidly over the past few years.

“While the initial push to increase technical standards of the non-life industry came from regulators, insurers themselves have now realised the value addition brought about by actuaries to the non-life domain,” said Badri Management Consultancy managing director Hatim Maskawala.

Actuaries play a strategic role

He said that companies in the region now rely heavily on actuarial reports for making strategic and operational decisions, which is set to grow further in the future. This, he said, was because of the pressures on pricing from alternative distribution channels, the drying up of excess capital and the need to predict the impact of management decisions on solvency, the reduction in excess reinsurance capacity leading to more optimised reinsurance purchasing and the implementation of IFRS17. This requires companies explicitly to disclose, among other things, their risk adjustments in order to increase transparency of financial disclosures.

Experience in the region

Highlighting his experiences in the region, Mr Maskawala said that when the firm started operations, most clients had no experiences with actuaries or did not find them useful. In order to change the perception, they had to

work together with these companies as partners rather than consultants.

“Initially, a lot of time was spent on correcting data and aligning our models to their operations and today most of these same companies have cleaner datasets that facilitates more detailed analysis,” he said. This has helped increase the confidence of these companies in actuarial services and in embedding risk-management practices in decision making within the company.

Opportunities and challenges

Mr Maskawala believes that the major opportunity for actuaries in the region lies in further embedding actuarial services in the operations of insurance companies, especially at a strategic level, which includes planning, reinsurance optimisation and risk management.

“The critical factor is for actuaries to demonstrate value in the services they provide and work with management to transform technical workings into a language which can be understood by the management,” he said. He also sees greater involvement of actuaries in the region with the implementation of IFRS17.

Mr Maskawala said that changing the status quo was the major challenge for actuaries in the region, which has enjoyed low combined ratios and high profitability in the past.

“This leads to a challenge where senior management claims that they have been operating profitably without actuaries in the past and therefore do not need actuarial expertise,” he said.

Another challenge is the dominance of brokers in distribution since when it comes to pricing, they prefer flat rates for retail lines and rely on market-competitive rates for commercial business. This results in limiting the use of actuarial techniques.

He believes that things are changing and without sophisticated pricing and risk-management techniques, companies will find it difficult to survive. Also, Saudi Arabia and the UAE are the only markets in the region where regulations mandate regular reports by actuaries.

“There is a need for regulations to evolve as, without their support, few companies in the region will invest in actuarial services,” said Mr Maskawala.

Promoting the profession locally

Currently two universities in Saudi Arabia have actuarial science graduate programmes. In 2020, SAMA updated its actuarial work rules, which mandated companies to establish an actuarial department and recruit a minimum of three Saudi nationals.

The rules also required for a company to submit its training and development plan for these Saudi actuarial resources. “This will result in training of the Saudi nationals by qualified actuaries both internally and externally, as SAMA has also laid onus of knowledge transfer on the appointed actuary,” said Mr Maskawala.

He said that although more local students are passing exams and entering the profession, other than in Saudi, the majority of the actuarial workforce is still comprised of expatriates.

Technology driving innovation

Improvements in technology have been helping the profession for many years. “The increase in computing power and specialised actuarial software has allowed us to spend more time in evaluating and analysing as compared to computing,” said Mr Maskawala.

He highlighted how advanced pricing mechanisms such as generalised linear modelling (GLM) and machine learning algorithms have also started appearing in the region. Badri recently concluded pricing exercises for

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various insurers using GLM and the region is expected to soon witness motor rates on the basis of factors such as make, model, vehicle colour and post codes.

He believes that the use of telematics can also act as a game changer when it comes to pricing motor risks and some insurers in the region have already started to delve into pay as you drive products.

“The full use of such technologies can enable insurers to analyse driver behaviour and adjust premiums on a live basis - and can also potentially lead to gamification of everyday driving where insurers can reward safe drivers for consistently good driving behaviour,” he said.

Future of the profession

The number of actuaries working in the region has increased significantly over the recent past which bodes well for the profession in the MENA region.

“Currently, most of the hiring happens in consultancies but as more and more companies start using actuarial services and realise the value brought by the profession, we will start seeing larger actuarial departments within insurance companies as well,” said Mr Maskawala. ▣

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