

Can You Hear the Thunder? (Shunecho ki taar Taaal?)

The Indian Insurance Industry has experienced rapid expansion. The term "expansion" is often somewhat overused, but in India's case, its meaning has much greater depth!

I enjoyed the poetic reference to "Ashani Sanket" (means in Bengali: Distant Thunder) by one of the speakers at the recent GCA (Global Conference of Actuaries) in Mumbai. This is of particular salience to all involved in the market - be they part of the business or on the resourcing side such as HR/Recruiters like myself.

Since the liberalisation of the market in 2001, in the following six years, the growth on the life side was noted in the result of the first year premiums of 37% and on the non-life side of 15.72% growth (according to the IRDA Annual report 2005/06). This phenomenal expansion has brought the Indian market great opportunities in terms of economic progression and increasing kudos of a future player on the world stage. For the Indian market this has meant fifteen Life and eleven General Insurance companies entering in the first six years, with a few more tie-ups in the pipeline. However as with many cases of rapid growth, professionals have noted areas of concern and drawn parallels with more mature markets such as the UK. One hopes the gentle rumbles of concern from the experienced alluding to possible clouds ahead are heeded in order to avoid turning the current optimistic energy into an unbridled deluge in the near future should repercussions come full circle!

As search consultants, we are only too aware of the importance of the human resources involved in the Industry. In the past couple of years there have also been rumblings in terms of the notable shortage of qualified actuaries in India. Despite the Institute of Actuaries in India having c6000 student members; only a handful of them appear to be qualifying each year. If this continues, this is not going to be enough to bridge the gap in the future unless it is addressed now.

However, the good news is that there have been positive steps forward to fill the gap as an industry. There are signs of an increasing shift to a student-friendly working culture and more comprehensive study packages. Senior Managers/HR Managers are increasingly aware of and reactive to reasonable needs of their

student actuaries. There have been cases of the 'boomerang effect' of people going back to previous employers the latter having prophetic sight and kept communication channels open. A far cry from the days when a student actuary would not have felt able to enter into open discussions.

Granted there is a current -and ever-growing- need for actuaries, but employers are faced with the question of where to source their need. At present this need is being met in several ways. One by overseas expatriates at a senior level and another by secondments at a more junior level. However, on a local scale there still remains intense employee movement between companies and the business working to strike a balance between the needs and demands of salary inflations with increasing upward movements on salaries. This is neither desirable nor indeed sustainable.

Actuarial remuneration in India is exceedingly high in comparison with the other professions. Qualified actuaries are paid at least ten times more than chartered accountants- with for example c10,000 Chartered Accountants qualifying each year. An astonishing disparity compared with the current low number of qualified actuaries. Whilst we do not want to get involved in a "big pond, little pond" debate, an effort certainly must be made to qualify more actuaries, but not up to the quantity of accountants!

There are 40,000 qualified actuaries globally (as calculated by the Australian actuary Julian Gribble in his presentation at the 2006 International Congress of Actuaries); with 132 active IOA (Institute of Actuaries, India) actuaries only 50 of whom are actually located in India, according to IOA in 2006. Compare this with 6,000 trained actuaries in the UK and we begin to understand the scale of need and the urgency to bridge this. Interestingly enough there is a demand for actuaries in the UK, and despite this, the Home Office announced in December 2006 that Actuaries were being taken off the "skills shortage occupations list". This has made it more difficult for applicants to score the points necessary to qualify for the HSMP Visa (Highly Skilled Migrant Programme Visa) which gives overseas actuaries eligibility to work in the UK. Why has our nation of excellent mathematical minds not been successful at growing our own talent? One hopes that the need will increase the supply, and the shortage will be redressed in time. Are Indian students opting for softer options at University, which they perceive will yield them quicker returns rather than the prospect of fifteen exams? Should there be more efforts put in at ICSE (Indian Certificate of Secondary Education) level in terms of subjects for career options rather than the traditional options favoured by

parents in the realm of engineering/medicine and law? Again, the fact that training organisations are springing up around the country, is an encouraging sign.

The billion dollar (or Rupee?) question is what to do when faced with the pressing demands of obtaining suitable talent. There are very different problems depending on the reason that a resource is needed, whether it be a) for a short period, perhaps to cover a peak of writing a lot of business which is not expected to be sustained, or to temporarily cover a leave of absence or b) for a permanent post.

For short periods at a senior level interim managers are a useful stop gap. Having consultants, for example professionally qualified people who have come out of leading consultancies- or niche area systems specialists, can help to define the right solution and fulfil urgent needs. "Interim management is not a soft option but when utilised in the correct way can add tremendous value to a business" says Justin Whitehouse, Managing Director of Interim GAAPS.

For permanent roles there are other interesting points to note in India. The gap between expatriate and local salaries appears to be getting smaller. In one sense, the senior expatriates who have been at the forefront of much of the market development (often seconded) would as a total reward have a basic (an increase on what they were earning at home), with relocation and hardship allowances. For these senior professionals, local salaries are coming up to a par with expatriate packages, so it then becomes a case of balancing either a higher base salary, with less on the extras, or the other way round.

The newer generation have been developing a broader skill set going forward, as the market becomes more sophisticated and wants to have its share in global knowledge and incorporate new tools and systems, i.e. a shift from being a BPO based economy (Business Processing Outsourcing) to a market writing its own products and a growing interest in Health and Pensions.

Another possible option for some companies may be to choose to move location to smaller cities rather than just being based in the big metropolis. This is a potentially effective cost-cutter, but also can attract candidates who do not want to live in the big cities, and utilise its own home grown talent from local universities.

Sure, students are still looking to gain outside experience but increasingly, part of the plan also includes the possibility of bringing knowledge back to India, rather

than the one-way route of talent. After all if they can get the same rate of remuneration at a senior level back home then it's no longer an option to outrule.

It would be a disaster if India did not look after its own and those actuaries who did qualify felt they had to relocate to widen their experience and/or obtain sensible remuneration packages.

Sometimes the rumbles can be warnings, heeded in time they could mean a different world for actuaries in India...

Leena Devi Chakraborty
Consultant, GAAPS ACTUARIAL
lchakraborty@gaaps.com