

Alternative Careers for GI actuaries

Thursday 13th October 2011

The UK's most commonly used interview phrase:

“Where do you see yourself in 5 years time?”

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Alternative Careers for GI actuaries

Introduction

- What is the traditional role of the non-life actuary?
- Continual progression and diversification of the Actuarial skill set
- Reserving, Capital, Pricing - Exercise
- In 2 years UK non-life actuarial population has grown by 32% (*Figures provided by Actuarial Profession*)

Non-Life specialists in the Institute and Faculty of Actuaries:

| Non-Life | UK | Europe | Overseas | Total |
|-----------|------|--------|----------|-------|
| Sept 2009 | 1395 | 204 | 429 | 2028 |
| % Total | 11% | 12% | 6% | 10% |
| Sept 2010 | 1566 | 237 | 517 | 2320 |
| % Total | 12% | 13% | 7% | 11% |
| Sept 2011 | 1842 | 277 | 650 | 2769 |
| % Total | 14% | 14% | 9% | 12% |

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The Speakers

Biographies

- Fiachra McLoughlin, UMACS, Co-owner and Director
- *Left Big4 firm to set up independent consultancy*
- Mark Flower, Aon Benfield
- *Left the actuarial team to become a Reinsurance Broker*
- Tim Edwards, PwC
- *Worked in reinsurance analytics, capital management and for the regulator, before joining a "big four" firm.*

Q&A – Interactive session please!

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Fiachra McLoughlin – UMACS

Fiachra McLoughlin (Co-owner & Director UMACS Limited)

Contents

1. The advent & growth of Financial Modelling techniques
2. Entrepreneurialism & General Insurance
3. UMACS
4. Some things to remember

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Fiachra McLoughlin – UMACS

VisiCalc

- The advent & growth of Financial Modelling techniques
- Spreadsheets software came into popular use in 1980s. Were an original driver of demand for Personal Computers
- Hard to over-state the impact on commerce and finance including General Insurance.....

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How Visi-Calc was first advertised in 1979.....



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Fiachra McLoughlin – UMACS

Financial Modelling & the Entrepreneur – Building new companies

- How many gym memberships have you opened / closed?
- Energy Market + Financial Modelling
- Can you imagine a 1 in 15,000,000 year event?
- Catastrophe Modelling Companies
- In insurance, examples include..
 - Aviation RVI, Country risk monitoring;
 - Many new products & policy forms.

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Fiachra McLoughlin – UMACS

UMACS

- UMACS stands for.....

Underwriting Management & Actuarial Consultancy Services

- Pricing, Underwriting Management, Portfolio Management, Capital, Reinsurance Structuring.....
- Independent
- Working with underwriters to develop leading-edge pricing models & practices.
 - **“Front-office” actuarial consultancy.**
- Lloyd's & London Market focus, leading-edge
- Building the *team*, *clients* & *product base*. Long-term view.



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Fiachra McLoughlin – UMACS

Some things to remember....

Modelling *does not equal* Mathematics

"real life mathematics do not require distinguished mathematicians. On the contrary, it requires barbarians: people willing to fight, to conquer, to build, to understand, with no predetermined idea about which tool should be used."

Real Life Mathematics, Bernard Beuzamy, Irish Math. Soc. Bulletin 48 (Summer 2002), 43–46.

Model Risk

➤ American International Group (AIG) – 'Financial Products' Division

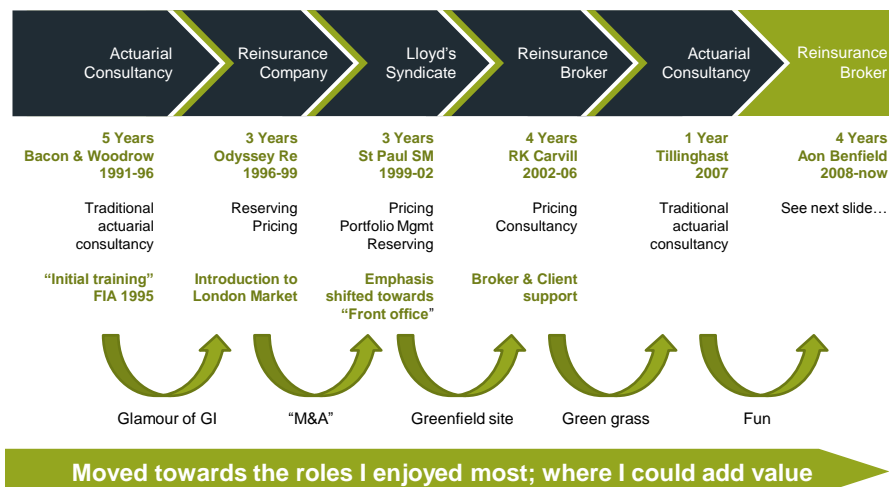
- "no transaction is approved" by the chief of AIG's financial-products unit "if it's not based on a model that we built"
- "The models we use are simple, they're specific and they're highly conservative"
- "It is hard for us, without being flippant, to even see a scenario within any kind of realm of reason that would see us losing \$1 in any of those transactions".

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Two decades of actuarial joy!

The route to AonBenfield

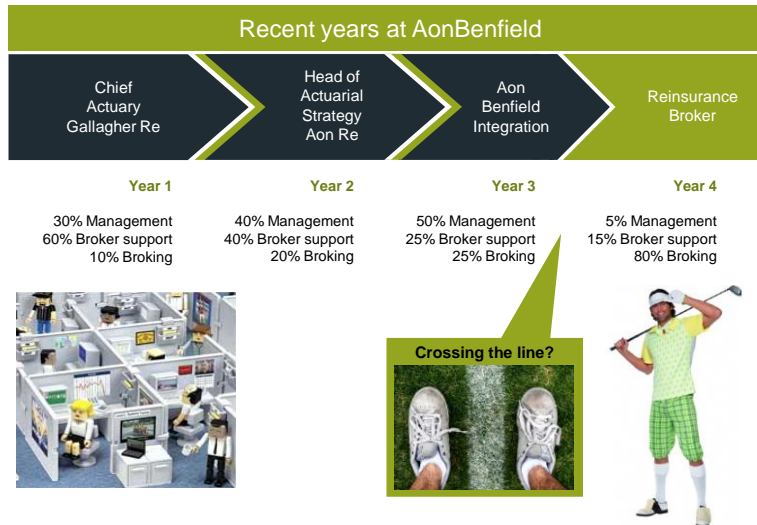


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How did I end up as a Reinsurance Broker?

Evolution, not Revolution



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Traditional or Non Traditional?

Same ingredients, different recipe...

- A typical week includes...
 - Data interpretation and analysis
 - Actuarial pricing
 - Stochastic modelling
 - Client consultancy
 - Commerciality and decision making
 - Relationship building
 - Self starting and team work
 - Communication with actuaries
 - Communication with non-actuaries
 - CPD maintenance
 - Hard work !!



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Differences and Challenges

- Differences:

- No statutory role; limited red tape
- Greater freedom and autonomy
- Transactional nature



- Challenges:

- Fresh learning curves (no text books)
- Competitive environment (and playing away)
- Breaking down stereotypes (preserving good parts)
- Staying abreast of less interesting topics!



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Non actuary - observations from external party

Tim Edwards, PwC

- Is this area of the profession mature enough to concentrate on broadening rather than deepening?
- “The trouble with actuaries is they seem to think they have a monopoly on the use of statistical distributions”
- What do actuaries actually do?



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Observations to date and what do you see for the future?

- Life and pensions stuff
- Reserving and reserve reviews
- Pricing (underwriter support)
- Underwriting
- Capital modelling
- Model validation
- Model build for insurers
- Model build for banks
- Academia – lecturing and research
- Reinsurance modelling
- Data mining, audit and reporting
- Underwriting
- Documentation
- Writing ICAs
- Communicating with SMEs and senior management
- Capital management
- Natural hazard work
- Online poker and other gambling
- Model build for bookies
- Being a CRO

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Banking? What's that got to do with us?

- Actuaries can be quite good at developing and embedding models
- Banks also have models
- Banks pay quite high salaries
- And need people to build and embed their models
- But banks have mostly market risk, with a bit of op / credit / liquidity risk, more like a life insurer
- So, do GI actuaries need to retrain as lifers?
- The Financial Conglomerates Directive will require firms doing both banking (/investment) and insurance to calculate a capital requirement that combines both banking and insurance activities and risks
- And a risk management process that combines ORSA and ICAAP

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Increasing role of "Risk" in the sector

- The actuarial profession is still immature
- Actuaries are just beginning to explore the influence you can have in many related activities
- A natural extension is "risk" - you can't be an actuary without understanding uncertainty and volatility, frequency and severity
- But there are plenty of other professions who claim authority over "risk":
 - Finance
 - Underwriters
 - Reinsurance buyers
 - Risk managers
- Who owns your ORSA?
- How can you establish yourself as an expert in wider elements of risk management?

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Who is prepared to do further exams after the actuarial exams?

- Is a single skill ever quite enough?
- Why bother to retrain when you have already mastered your subject?
- What appetite do you have to take on other professionals in areas of shared interest?
- What is your professional ambition?



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Conclusion

- The profession is still learning and evolving in the Non-Life sector
- The growth figures are spectacular – We need to support, develop and provide continual training
- The core actuarial skills are vital to the industry
- GIRO is all about the diversity and evolution of the role of the GI actuary.