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## The European Actuary of the Future

- more numerous
- more in demand
- more professional
- more diversified
- more recognised
- more visible
- adding more value

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## European Congress of Actuaries 2012

- Impressive gathering of European actuaries
  - 370+ from 36 countries, also outside Europe
- The speakers
  - actuaries and non-actuaries <sup>4</sup>
  - Young professionals and experienced colleagues
  - Scientists and practitioners
- Representatives of:
  - GC, European Committee, EIOPA, CEA, IASB, EFRP, CERA, S&P, CRO Forum

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## Groupe Consultatif – recent progress

- now based in Brussels – Maison des Actuaire
- formally constituted as a Swiss Verein
- have appointed a Deputy Chief Executive (Public Affairs)
- 32 full member associations (from 30 countries)
- ...International Actuarial Association has 63 FMAs
- 20,000 actuaries out of 45,000 globally are in Europe
- work in progress on new vision, values and strategy
- major contribution to development of Solvency II
- ...and now to revision of IORP Directive
- started to produce model standards of practice

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## Vision (current draft)

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Our vision is for the actuarial profession in Europe to be recognised as the leading quantitative profession in the financial services industry, in risk management and in the financing of social protection, for the well-being of society in Europe.

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## Values (current draft)

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The Groupe espouses the following values:

- integrity
- impartiality and objectivity
- independence of mind
- concern for the public interest
- professionalism

## Solvency II – a broader perspective on the role

- “An actuary who is just an actuary is not an actuary”
- view from EIOPA (Daniela Rode) at ECA2012:
  - actuaries need to be open to a comprehensive understanding of the insurer’s overall risk situation
  - the actuarial perspective is crucial but not valid on a stand-alone basis
  - actuaries have to ensure that their advice and conclusions are properly understood, especially by non-actuaries

## What is the role of the Groupe Consultatif?

- Groupe should play a support role ‘on behalf of’ FMAs
  - in the vanguard of representing actuaries at the EU level
  - reviewing the code of conduct to ensure continued relevance
  - developing model standards of actuarial practice
  - active assessment of the quality of actuarial education
  - facilitating sharing of good practice between associations
  - ...including success stories and challenges
  - encouraging development of holistic actuaries (through FMAs)
- should the Groupe Consultatif have a new name?

## IORPs – what does the future hold?

- Groupe involvement in continued work by EIOPA
- further work on holistic balance sheet
  - can sponsor covenant be valued robustly?
  - should the contingent value of a guarantee fund be included?
- which elements of Solvency II can be read over to IORPs?
  - risk management
  - ORSA - or shall we say “business plan for getting to target”
  - governance
  - actuarial function (for DB and DC)
  - disclosure to members of the security of the pension promise

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Risk:



Risk management:



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## Actuaries in Europe – what does the future hold?

- huge opportunities arising from Solvency II
- greater emphasis everywhere on risk management
- need to demonstrate the professionalism of actuaries
- ...and that we are truly a profession in all countries of EU
- what about new areas – e.g. actuaries in ERM/banking?
- main tasks are for member associations and for actuaries

## Solvency II – the role of the actuary

- actuarial function required in all insurance companies
- actuaries are ideally equipped to carry out AF
- members of professional bodies should be 'fit and proper'
- launch of booklet "Why use an actuary?"
- Karel van Hulle: *"An Actuary is a particularly well equipped financial professional to assess risk and its financial consequences. I welcome the initiatives of the Groupe Consultatif aiming at a further professionalisation of the actuarial profession."*
- work under way on further booklet on role of actuary

## What about the actuary of the future?

- technically strong but must be practical in orientation
- rooted in professionalism
- more holistic
  - maybe reverse trend towards greater specialisation
  - need to be strongly interacting with other disciplines
  - communication skills paramount
- business aware – alert to where we can add value
- risk management skills
- awareness of the skills that stakeholders value
  - not what we think is important
- dare to be different

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## Solvency II – different roles for the actuary

- actuarial function
  - calculation and coordination (and validation)
  - responsibility for appropriateness of assumptions/methodology
  - reporting to management and the Board
  - giving opinions on underwriting policy and reinsurance
  - contributing to implementation of risk management system
- risk management function
  - carrying out function and coordinating risk management
  - contributing to ORSA and to internal models
  - Solvency and Financial Condition Report
- reviewing and certifying role?

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## History of the actuary

- Since Roman times
- Banned in 1500 and 1700, but remained
- Dutch politician Johan De Witt (1754)
- William Morgan became employed by “The Equitable” (1774)
- A new profession is born
- *The actuary will become (enterprise) risk manager(?)*

## A short film



## Challenges....

- Global population growth
- Globalization
- Internet bubble
- Aging, longevity
- Increasing costs for health care
- Decreasing solidarity and more individualism
- Financial and economical crisis
- Low interest rates
- .....

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## What is needed from actuaries?

- Personal and professional growth
- Creative solutions
- Solutions for more certainty and clarity

*The field is changing rapidly. A challenge for everyone,  
but also an opportunity.*

*Grab that opportunity!*

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Are actuaries sufficiently equipped for this?

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## The actuary as risk manager

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### Assurancetourix

Although artistically gifted, his expressions are not always appreciated.

Has a significant name .....



*Is there is a parallel with the actuary as risk manager?*

## The actuarial function

*The actuarial function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance or reinsurance undertaking, and who are able to demonstrate their relevant experience with applicable **professional** and **other standards**.*

## The actuary as risk manager

There must first happen something, otherwise ....



.....there is talent lost!

## Actuaries in Europe – what does the future hold?

- continued shift from technician to trusted adviser
- value of independence and objectivity for certification
- providing opinions and sign-off
- emphasis on added value to business
- holistic in perspective
- serving the public interest (the well-being of society)

## The actuary towards risk management

It concerns the following:

- Recognition
- Education
- Expertise
- Professional standards
- Quality assurance

## Risk management – new roles for the actuary

- development of CERA as global designation for ERM
- new emphasis on risk management within main qualification
- strong development encouraged by Solvency II
- discussion whether to develop an actuarial standard
- important for the future of the profession
  - ERM within insurance industry
  - but also more widely...
- ERM perspective involves a very broad approach

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## Core Syllabus GC

### GENERAL SKILLS

1. Computing
2. Regulation and Legislation and Taxation
3. Communication Skills
4. Language Skills

### GENERIC TECHNICAL SUBJECTS

1. Mathematics
2. Probability and Mathematical Statistics
3. Stochastic Processes and Modelling
4. Economics
5. Accounting and Financial Reports
6. Legislation

### SPECIALISATION

Possible areas of specialisation are: Life, Pensions, General insurance, ERM, Investments, Health care, Banking, Social security, Reinsurance

### ACTUARIAL TECHNICAL SUBJECTS

7. Financial Mathematics
8. Multiple State Modelling
9. Contingencies
10. Risk Mathematics
11. Finance and financial markets
12. Quantitative Risk Management and Solvency

### ACTUARIAL APPLICATIONS

13. Actuarial Enterprise Risk Management
14. Professionalism

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## CERA Syllabus

A list of detailed learning objectives has been prepared. A thorough understanding of the following areas is required:

- The concept of Enterprise Risk management (ERM)
- The drivers behind ERM – governance, regulation, improvements in understanding of risk and techniques for measuring and managing risk, enterprise value protection and creation, etc.
- Practical aspects of ERM, including all elements of a robust risk management framework (people, systems, processes) and its operation, and critical success factors.
- Standards and good practice in use around the world

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## CERA Syllabus

- The different types of risk – financial (including liquidity, credit, equity market, interest rate), insurance (including catastrophe, mortality, product options), operational, and strategic
- The quantification of risk, including tools and techniques and supporting mathematics
- Practices and techniques for the management of risk, including control, mitigation, transfer, avoidance, and exploitation of risk opportunities
- The economic value added by sound ERM
- Important regulation and regulatory capital requirements

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## Steps to take

1. Gradual adaptation of the CERA core syllabus  
*(IAA, GC, local associations, education providers/universities)*
2. International professional standards
3. Expansion of CERA Global Association *(associations)*
4. Profiling of the actuary as risk manager *(CGA, associations, actuaries themselves)*
5. Expansion of actuarial associations with risk managers
6. Recognition of risk managers who are not actuaries *(IAA, GC and associations)*
7. Actuaries in “wider fields” *(not limited to insurance, pensions and banking)*

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## Future (“dreaming is for free”)

- CERA curriculum is fully integrated into initial actuarial training
- CERA Global Association will be abolished
- The [Dutch] Actuarial Society is a professional association of quantitative risk managers
- Within the association is a specialist group pensions and insurance (this is the closest to the actuarial tradition as it is now)
- Solvency VII: for all financial service providers in a broad sense, not limited to insurers

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## Future of the European actuary?



Threatened?



Silenced?



Loudly singing....

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## Questions or comments?



*The views expressed in this presentation are those of the presenter.*

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