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## Alternative Careers and Future of the Insurance Actuary

*Monday 21<sup>st</sup> November 2011*

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The UK's most commonly used interview phrase:

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

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## Alternative Careers and Future of the Insurance Actuary

*Introduction*

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- What is the traditional role of the Life actuary?
- Continual progression and diversification of the Actuarial skill set

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## The Speakers

### *Biographies*

- David Prowse, Fitch Ratings
- *Credit Ratings Analyst – Insurance Sector*
- Scott Eason, Societe Generale
- *Head of UK Insurance Solutions*
- Ian Costain
- *Actuary – Policy & Public Affairs*

Q&A – Interactive session please!

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## Credit Rating in Insurance

### *David Prowse*

#### **Synergies:**

- Financial reporting – FSA, IFRS, EV
- Knowledge of insurance products, markets
- Risk and capital
- Talk same language as chief actuaries, FDs

#### **Challenges:**

- Bigger picture
- Both sides of balance sheet
- Ratings methodology, terminology
- Customers are not actuaries
- No selling

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## Agenda

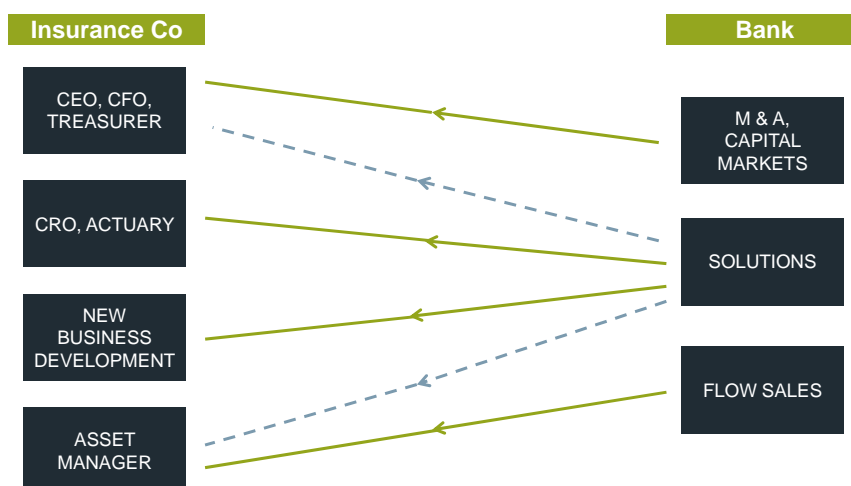
*Scott Eason*

- Introduction
- Banks and Institutions
- Current hot topics
- Actuaries in Banks
- Conclusion

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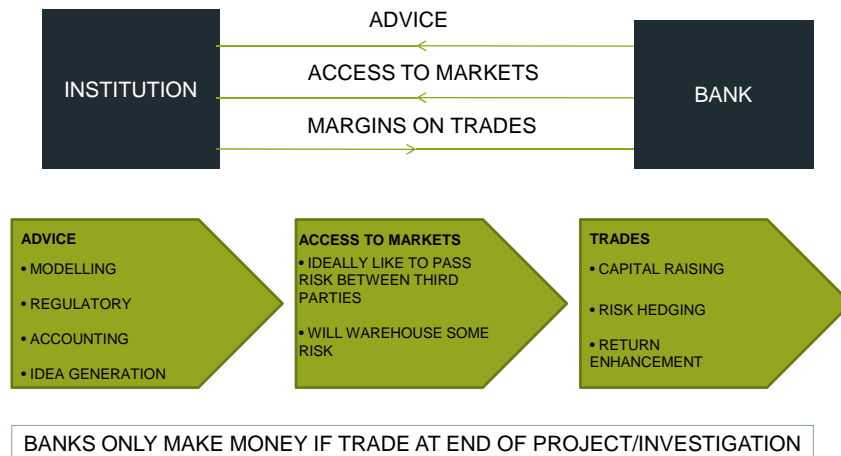
## How Banks and Insurers interact



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## How Banks get paid



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## Not all banks are the same!

- Bank differentials include
  - Expertise in different asset classes and currencies
  - Attitude to risk
  - Industry knowledge and expertise
  - Innovativeness

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## Current hot topics

- Economic issues
  - Double Dip
  - Deflation / Inflation
  - Liquidity premium
  - Search for yield
- Regulatory issues
  - S2 / IFRS changes
  - Risk Discount Rate
  - Volatility stresses
  - Reducing basis risk

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## Roles of actuaries in banks

- Most actuaries work within the Solutions Group
  - Often as part of an advisory team alongside a sales team



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## Actuarial input

- Identification of issues
  - Discussions with clients
  - Analysis of accounts / FSA returns
  - Understanding of regulatory changes
  - Modelling exercises
- Filtering of ideas
  - Risk assessment
  - Regulatory treatment
  - Modelling constraints
- Jargon conversion and idea communication

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## Skills needed

- Breadth of knowledge
  - Wide range of clients / issues
  - Need to talk / understand asset and liability issues
- Ability to work independently
  - Small actuarial teams
  - Need to be comfortable with new concepts
- Strong communication skills
  - Concepts often very complicated
- Thick skin!

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## Bankers bonuses – the truth!

- Banks generally have only a few salary bands
  - Everyone in band gets the same basic salary
  - Salaries have increased in response to bonus backlash
- Bonuses are used to reward success of team and firm
  - More variability than in consultancies or industry
  - Strongly incentivises individuals
  - Enables banks to have pay as a variable cost
- Bonuses are now closer linked to long-term performance
  - Cash limited to 30% (20% for larger bonuses)
  - 40% of bonus must be deferred for 3-5 years

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## Conclusion Is it all about the money?

- NO !
- Working for a bank is ideal for actuaries who like to
  - Maintain broad technical knowledge
  - Work with a wide range of clients
  - Solve problems
  - Identify angles and new ideas
  - Communicate solutions

**AND CAN TAKE BEING TOLD NO .....**

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## Policy & Public Affairs

*Ian Costain*

- There are a significant number of public policy issues that need to be addressed:
  - people not saving enough for the long-term (e.g. pension reform)
  - access to financial advice (e.g. Retail Distribution Review)
  - effective and efficient markets (e.g. changes to regulatory regime)
  - provision of healthcare (e.g. private medical insurance)
  - climate change (e.g. flood insurance)
- The principal objective of policy & public affairs is to influence public policy, focusing on those strategic issues which have the potential to have significant commercial impact on the organisation.

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## Policy & Public Affairs

- Why the actuarial skill set lends itself to policy & public affairs:
  - seemingly intractable problems with many variables and with potentially complex solutions
  - long-term projections based around uncertain outcomes
  - no necessarily right or wrong answers and with different solutions suggested by alternative scenarios
  - need to consider the big picture as well as deep analysis of the detail (though not often technical actuarial)
  - management of long-term risks
  - need to design and deliver insightful evidence-based research
  - communicating complex ideas in a straightforward way (with Boards, with Ministers, and with the media)
  - credible expert witness

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## Policy & Public Affairs

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- So policy & public affairs can provide a fulfilling career for actuaries – just don't go into it for the money!

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## Conclusion

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- The core actuarial skills are vital to the industry.
- The Life Convention is all about the diversity and evolution of the role of the Life actuary.

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## Questions or comments?

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Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

