

**The Actuarial Profession**  
making financial sense of the future

Momentum conference 2010  
Scott Eason



# An actuary in a bank

Is it all about the money?

10 December 2010

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## Agenda

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

# Introduction

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## My current role

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- Head of UK Insurance Solutions team at Societe Generale
- London based
- Manage a team of 5 (2 actuaries)
- Since September 2009

## My past roles

- Watson Wyatt 1995-1999, 2000-2006
- Munich Re of Australia 1999-2000
- Legal & General 2006-2008
- Eason Consulting & Resources 2008-2009

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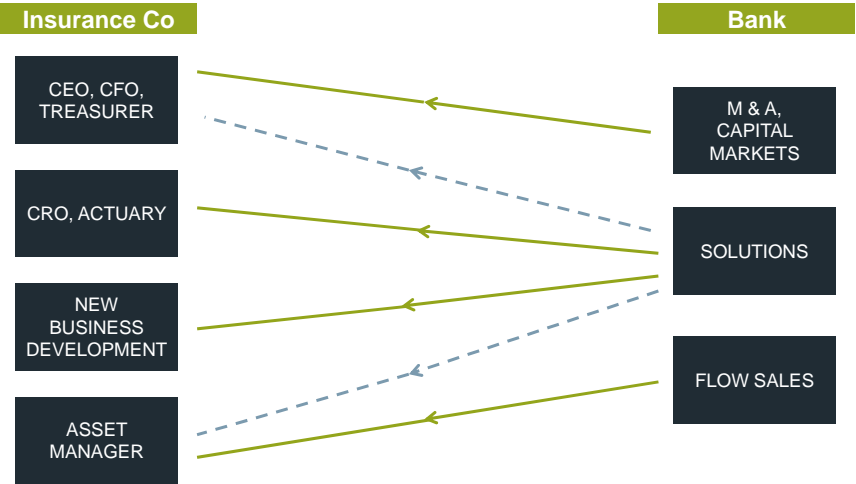
4

  
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## Banks and Institutions

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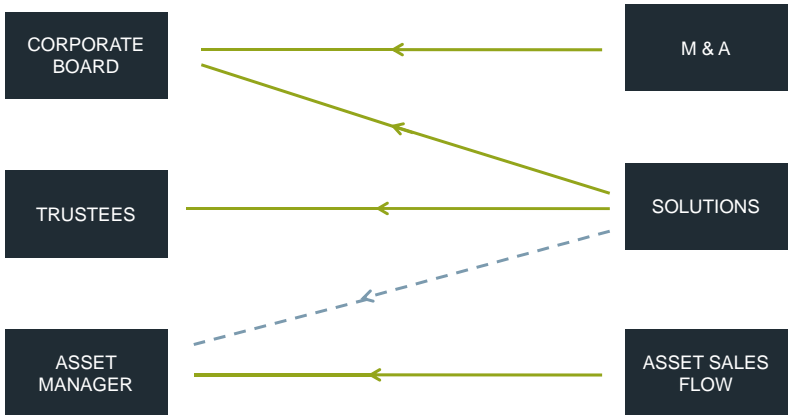
## How Banks and Insurers interact



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6

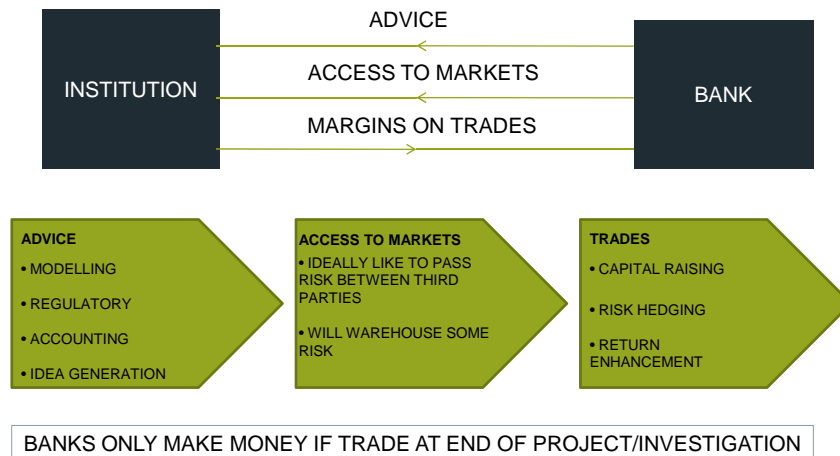
## How Banks and Pension Schemes interact



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7

## How Banks get paid



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8

## 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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9

## Current hot topics

## 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

## Actuaries in Banks

### Roles of actuaries in banks

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



## 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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14

## 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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15



## 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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16

  
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## Conclusion

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## So 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 .....

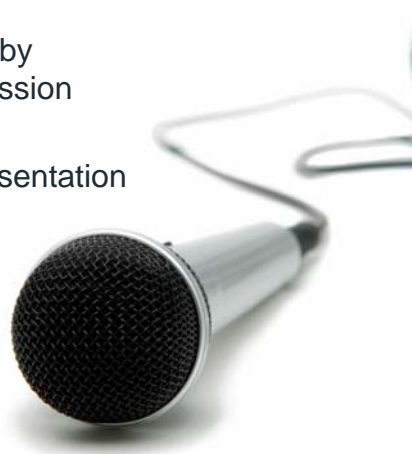
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18

## Questions or comments?

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 presenter.



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19