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?”

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:

<table>
<thead>
<tr>
<th></th>
<th>Non-Life</th>
<th>UK</th>
<th>Europe</th>
<th>Overseas</th>
<th>Total</th>
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<tr>
<td>Sept 2009</td>
<td>1395</td>
<td>204</td>
<td>429</td>
<td>2028</td>
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<tr>
<td>% Total</td>
<td>11%</td>
<td>12%</td>
<td>6%</td>
<td>10%</td>
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<tr>
<td>Sept 2010</td>
<td>1566</td>
<td>237</td>
<td>517</td>
<td>2320</td>
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<tr>
<td>% Total</td>
<td>12%</td>
<td>13%</td>
<td>7%</td>
<td>11%</td>
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<tr>
<td>Sept 2011</td>
<td>1842</td>
<td>277</td>
<td>650</td>
<td>2769</td>
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<td>14%</td>
<td>14%</td>
<td>9%</td>
<td>12%</td>
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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!

Alternative Careers for GI actuaries

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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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.....

How Visi-Calc was first advertised in 1979.....
Alternative Careers for GI actuaries

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.

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.
Alternative Careers for GI actuaries
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."


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”.

Two decades of actuarial joy!
The route to AonBenfield

Actuarial Consultancy ➤ Reinsurance Company ➤ Lloyd’s Syndicate ➤ Reinsurance Broker ➤ Actuarial Consultancy ➤ Reinsurance Broker

5 Years Bacon & Woodrow 1991-96
3 Years Odyssey Re 1996-99
3 Years St Paul SM 1999-02
4 Years RK Carvill 2002-06
1 Year Tillinghast 2007
4 Years Aon Benfield 2008-now

Traditional actuarial consultancy
“Initial training” FIA 1995
Introduction to London Market
Pricing Portfolio Mgmt
Emphasis shifted towards “Front office”
Broker & Client support

Glamour of GI ➤ “M&A” ➤ Greenfield site ➤ Green grass ➤ Fun

Moved towards the roles I enjoyed most; where I could add value
How did I end up as a Reinsurance Broker?

*Evolution, not Revolution*

Recent years at AonBenfield

<table>
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<tr>
<th>Year</th>
<th>Chief Actuary Gallagher Re</th>
<th>Head of Actuarial Strategy Aon Re</th>
<th>Aon Benfield Integration</th>
<th>Reinsurance Broker</th>
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<td>50% Management 25% Broker support 25% Broking</td>
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Crossing the line?

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 !!
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?
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

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
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?

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?
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.