An actuary in a bank

Is it all about the money?

10 December 2010

Agenda

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

My current role

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

- Munich Re of Australia 1999-2000
- Legal & General 2006-2008
- Eason Consulting & Resources 2008-2009
How Banks and Insurers interact

- CEO, CFO, TREASURER
- CRO, ACTUARY
- NEW BUSINESS DEVELOPMENT
- ASSET MANAGER

- M & A, CAPITAL MARKETS
- SOLUTIONS
- FLOW SALES

How Banks and Pension Schemes interact

- CORPORATE BOARD
- TRUSTEES
- ASSET MANAGER

- M & A
- SOLUTIONS
- ASSET SALES FLOW
How Banks get paid

INSTITUTION

ADVICE

ACCESS TO MARKETS

MARGINS ON TRADES

BANK

• MODELLING
• REGULATORY
• ACCOUNTING
• IDEA GENERATION

• IDEALLY LIKE TO PASS RISK BETWEEN THIRD PARTIES
• WILL WAREHOUSE SOME RISK

TRADES

• CAPITAL RAISING
• RISK HEDGING
• RETURN ENHANCEMENT

BANKS ONLY MAKE MONEY IF TRADE AT END OF PROJECT/INVESTIGATION

Not all banks are the same!

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

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!
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

Conclusion
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 …..

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.