



The Actuarial Profession

making financial sense of the future

Staple Inn: Home or Hassle? Nigel Masters, President, Institute of Actuaries



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Staple Inn: Home or Hassle?

Busy actuaries in the hubbub of commercial life do not need the irritation of greater bureaucracy and yet more CPD requirements. And why do actuaries practising for twenty years need a professionalism course? Staple Inn is creating hassle.

But there is also a great deal of fellowship, support and technical know how still to be gained from the Institute and Faculty. Staple Inn is still a haven of shared professional and technical values. It should feel like home to actuaries from all over the world.

So is Staple Inn a hassle or a home?

Background: Global Financial Trends

- Economic ascendancy of the East
- Costs of pensions, health and social care are creating structural debt in Western economies
- Rationale for the savings industry is changing
- Fresh ambition for international regulation
- Revitalised awareness of risk management
- Distrust of financial models.

Background: Global trends for Insurance

Insurers globalise and consolidate

General Insurance continues to expand profitably although concerns over the role of insurers in business risk management.

Life insurance, based on traditional products and guarantees, continues to be popular with savers.

Unit linked is sold not bought. New product designs are being tried. Return on capital is under pressure.

Background: Global trends for Healthcare, Banking and Pensions

A wide range of healthcare systems are in use. Different mixes of Public and Private funding and different types of mandatory and voluntary participation are being tried.

The pressures of longevity and social care in old age are an additional burden in Western cultures.

The banks are emphasising risk management and ALM.

Pensions schemes flourish in many territories. But the guaranteed liabilities in employee schemes are proving burdensome for many corporations.

Background: I&FoA regulatory changes

The UK Actuarial Profession is coming to terms with its new status of member organisation rather than standard setter.

The negative legacy in UK of the 1990's (Guarantees, misselling, overbonusing) still lingers on with UK politicians and is exploited by European regulators

What does this mean for actuaries?

Insurance companies, GI and Life, will continue to be a dominant employers for years.

Insurance faces huge workload across Europe over next 5 years with new risk-based solvency rules. And new European actuarial standards. This will spread globally.

But pressure on margins will not push through to distribution costs so actuaries workloads will continue to increase while pay stagnates and operations will consolidate.

Increasing awareness of expertise and costs of actuarial consultancy in India and China will increase outsourcing.

What does this mean for actuaries?

Pensions consultancy growth less rapid in West as defined benefit schemes decline. But huge workload for pensions actuaries in next decades as structures change.

Risk capital for employee pensions schemes is probable in Europe. If this spreads, the work for actuaries will escalate.

There will be a need to advise individuals on their own pension savings. Can actuaries make this cost-effective?

What does this mean for actuaries?

The opportunities internationally will grow and more actuaries will work away from their home territory because of global recognition of qualification.

Continuing international alignment of legislation, including new prudential rules on risk management, will drive actuarial work.

The challenge to communicate the scale of a risk (including model risk) is central to advising on business decision making. Current actuarial jargon is inadequate.

Risk management will extend actuarial techniques into operational risk.

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Is Staple Inn a hassle or a home?

The Profession's three strategic aims

- **Be a world class member service organisation**
 - Actuaries will be proud of the range and quality of services provided by the Profession to support them throughout their professional lives.
- **Build a quality framework which promotes public confidence in the work of actuaries**
 - Regulators and organisations representing the public will respect the professional ethics and standards which actuaries demonstrate.
- **Enhance the profession's reputation in traditional areas and build it in non-traditional areas**
 - Financial services and other organisations will value the expertise of actuaries as quantitative risk professionals and understand the potential for making greater use of their skills and technical knowledge.

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What is the Profession doing?



Key is internationally recognised qualification.

The UK syllabus has upgraded General Insurance.



Profession will invest heavily in raising profile in all areas of risk management. CERA is off to a strong start with large take up for new ST9 exam (142 at first sitting).

What is the Profession doing?

We will continue to build support for members working overseas through web based services. The new 2.0 website launches in July (news feeds, community websites, videos).

We are strengthening links with international employers

We encourage local networks (Dutch pilot) to ease moving into and settling into new territories.

We have also been working on building stronger links internationally - GIRO and CAS liaising closely on P&C research and CPD - regular liaison between staff of UKAP and SoA - new initiative to strengthen Groupe Consultatif with agreement to launch a Brussels office.

What is the Profession doing?

The Research strategy in combination with the Public Affairs team is raising our profile with a broad range of opinion formers. Example is the London University paper on global systemic risk in the financial system.

Areas include discount rates, climate change, drivers of longevity and individual savings. We aim to create a “conveyor belt” of well researched ideas to inform our comment and enable us to speak out on our chosen topics

There is significant funding for ground breaking actuarial research.

Developing member services for actuaries working outside the UK

A focus on genuine communications

- listening not broadcasting
- creating council constituencies?
- rebuilding trust in your representatives
- holding the Profession to account

What else should the Profession be doing?

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Public confidence in the work of actuaries

- The Actuaries' Code
- A CPD regime committed to evidencing competence
- A Practising Certificate regime that demonstrates expertise
- A fair and impartial Discipline Scheme
- Need to address Peer Review and Conflicts of Interest

Professional developments for actuaries working outside the UK

- Creation of dedicated International Sub-Committee of the Professional Regulation Executive Committee
- A Review of how „Partial Regulation“ works in practice
- A network of members as a sounding board and closer liaison with staff in actuarial organisations across the world.
- Development of an Actuarial Standard for Actuaries working outside the UK
- Explicit representation on Council of actuaries based outside the UK

Summary

The financial crisis has profoundly affected the international economic landscape.

Mature areas of actuarial employment are giving way to new opportunities. Risk and risk management are high priority.

These trends will create considerable work for actuaries across the world. We will be very busy but the opportunities are great.

The Profession seeks to support members in their careers wherever that takes them.

While there will be hassle, Staple Inn will remain our home!