New opportunities for actuaries

The French example
New opportunities for actuaries

- Where is the growth in our businesses today?
  - In insurance products?
    - Health care but not so developed in France
  - In banking products?
    - Investment banking, risk transfer markets
  - In portfolio management products?
    - Growth of the pensions funds industry
New opportunities for actuaries

• Where is the growth to day ?
  – In assets and liabilities valuation
  – In risk management
    • Banking (Basel II)
    • Insurance (Solvency II)
New opportunities for actuaries

• Traditional fields: insurance & banking
  – Implementation of a new common paradigm:
    • no arbitrage principle
  – Tremendous challenge for actuaries
    • No more involved only in pricing and reserving
    • But developing risk management expertise
      – New ALM techniques
      – New solvency approach
New opportunities for actuaries

• Traditional fields : insurance & banking
  – Examples of cross fertilization :
    • Use of financial economics and banking techniques in insurance
      – Arbitrage valuation
    • Use of insurance approach in banking
      – Credit risk
New opportunities for actuaries

• Traditional fields: portfolio management
  – Design of portfolio management contracts
    – Give a better definition and measure of risk
    – Incorporate the ALM perspective in benchmarking the liabilities
    – Take into account all the regulatory and accounting constraints
New opportunities for actuaries

• Traditional fields: portfolio management
  – Work on performance measurement and performance attribution (compete with AIMR)
  – Focus on the hedge funds industry:
    • Lack of transparency
    • Very poor performance measurement system
New opportunities for actuaries

• Markets : New developments
  – Stock exchange indices :
    • The French Institute has set up a Committee that will put a label on Euronext bonds and shares indices
  – Yield curve :
    • The French Institute publish every quarter an official yield curve that is used for the establishment of certain regulatory statements
New opportunities for actuaries

- Valuation techniques and Risk management: New developments
  - Insurance & Banking:
    - Fair value: challenge the market value dictatorship
    - Operational risk
New opportunities for actuaries

- Corporate risk management: New developments
  - Employee benefits department
  - Finance department
  - Risk reporting
  - Value at risk: cash at risk
New opportunities for actuaries

• Corporate risk management: New developments
  – Self insurance and captives
  – Sarbanne Oxley
    • Internal controls
    • Governance
New opportunities for actuaries

• Actuaries are not only statisticians
  – If they were they will be no need for actuaries

• Actuaries are members of a profession which share the same visions and values
  – Example: mutualization is not only a statistical tool, it is a philosophy
New opportunities for actuaries

• Actuaries should serve the public interest
  – Don’t defend the profession just because some of its prerogatives are jeopardized
  – But always defend the public interest
    • For example, participate into the debate defined benefits vs defined contributions, open new ways to look at funding (life as a continuous process from education to retirement)
  – Conquer new territories and markets
    • Be involved in corporate governance were we have a specific role to play in promoting ethics