

# 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