Presidents’ Forum
May 24, 2012

Actuary 3.0: Survey results Interactive discussion
Interactive discussion: agenda

- Presentation of survey results
- *WHAT DO YOU THINK?*

Roving microphones to get your input

- Actuary 3.0 concept
Development of the survey

- Objective: environmental scan as starting point for interactive discussion
- Survey sent to 90 presidents of IAA member organizations, 48 responses
- Emphasis on open-ended questions
- Anonymous—cannot tie responses to a country or region
Changes Impacting Actuaries
Survey: Environmental scan

- Categories: social, technological, economic, environmental, political
- Quantitative component: rank the impact from 5 (high) to 1 (low)
- Qualitative information from open-ended questions
What factors impact your members?

5 = High impact 1 = No impact

Social
Technical
Economic
Environmental
Political
Changes in social structure

“More jobs available in the market compete with actuarial jobs, make scouting more difficult”

“Aging population affects the nature of actuarial work”
   “Changes in longevity”
   (most frequently mentioned change)

“Over supply of actuarial students for jobs available in domestic market”

“Growing general unemployment”

“Big gap arising between pension ‘haves’ and ‘have nots’”

“Big changes proposed in public sector pensions”
Changes in technology

“More complex outputs expected from actuaries given advances in software”

“Increased connectivity is allowing our members to be more mobile and take on work from nearby countries whilst keeping up with work commitments at home”

“Mobile phone commerce is assisting introduction of micro insurance”

“Change creates concern with data security and protection of confidential information“

“Many of our members are small business owners so keeping up with technology is difficult”

“Continuing pressure to upgrade skills and knowledge”
Changes in economy (factor with highest impact)

"Lower interest rates have required review of actuarial liability adequacy standards."

“Our client base is very directly affected by the economy. When the economy drops, so does the pool of potential clients."

“The economic recovery increased interest in actuarial mathematics."

“Challenges in new models to reflect new realities."

“Sluggish economy coupled with low interest rate environment...challenging especially in pricing for products with lifetime guarantee."

“The job market is directly affected by the economy,...a bad economy seriously reduces the number of actuaries that can be absorbed."

The economic recovery increased interest in actuarial mathematics. Challenges in new models to reflect new realities. Sluggish economy coupled with low interest rate environment...challenging especially in pricing for products with lifetime guarantee.

“The job market is directly affected by the economy,...a bad economy seriously reduces the number of actuaries that can be absorbed.”
Changes in environment

“Natural disasters in recent years affect the way we view and quantify risks, thereby affecting price and solvency standards.”

“There is greater awareness of long-term environmental issues.”

“Challenges in modeling effects of climate change.”
Changes in political structure

"The less said about politics the better!"

"Lack of commitment to sorting out the long term problems in pensions and long term care."

"Wars and the level of physical insecurity ... has led to a loss of business confidence in the local economy."

"EU decides more and more of the legislation ... members must work together with Groupe Consutatif and IAA."

"Extreme partisan approach. Keeps Washington from responding to economic pressures."

"Wars and the level of physical insecurity ... has led to a loss of business confidence in the local economy."
WHAT DO YOU THINK?

Which factor has the highest impact for your member actuaries?

- Social
- Technological
- Economic
- Environmental
- Political
How are actuaries adapting?
Response to challenges

- Survey asked two open-ended questions: current and future response

- Current response to challenges:
  - Remain adaptable
  - Embrace change
  - Keep well informed of domestic and global trends and strategies
Response to challenges

- Future response to challenges
  - Promote more responsibility for actuarial functions
  - Move into non-traditional areas
  - Develop global actuarial activities
  - Improve communication
Responses to change

“Our membership is pretty resilient and will adapt as needed.”

“Holding professional designation from more than one actuarial organization having global brands.”

“More innovation and creativity..develop better communication and negotiation skills.”

“Increased coordination at national and international level to address multiple layers of regulatory concern. “

“Recognizing need to be seen as qualified risk professionals outside traditional areas.”
World-wide challenges

- 80% of respondents say their challenges cross borders: economy, regulation, environmental issues
- Problems with solvency and legislation becoming international
- Growth in developing countries both a challenge and opportunity
WHAT DO YOU THINK?

- In responding to future challenges, what is the most important thing actuaries can do?
Evolution of the profession
Challenges, evolution share common themes

“Become recognized as the go-to profession for qualified risk professionals”

“Increasingly complex modeling is required by Solvency II, ORSA, ERM, IFRS, climate change.”

“Be proactive rather than wait until new ideas/regulations are forced on us.”

“Education [basic, continuing] must equip actuaries for rapid change.”

“Scarcity/cost of actuarial services in some markets may lead to substitution by other professions.”
WHAT DO YOU THINK?

- How do you think the actuarial profession will evolve?
The Actuary 3.0
A need for change?

- Actuaries go a long way
- But the environment is changing rapidly
- The question is whether the actuarial profession is changing with the same speed?
We are at the crossroads

- We are specialist risk quant
  - Mortality/Longevity specialist
  - Derivative specialist
- Should we become a leading business advisor?
  - Actuarial management
  - Non-traditional
How do we feel about this?

![Chart showing changes over time]

- Advice
- PC related
- Traditional
Will this become our world?
There are challenges

- Solvency
  - Strategy and risk profiling
  - Own Risk & Solvency Assessment

- Legislation
  - Increased regulation
  - Transparancy
  - Sustainability
More challenges

- Reporting demands
  - Financial and management reporting
  - Immediate, fast, reliable, simple and clear

- Other professions
  - Who are our enemies? Do we have them?
  - How can we stay in the lead?

- Understanding actuarial skills
  - Are we focusing on the right skill set?
  - Determine the gaps
Branding

- Understanding actuarial skills
- Barriers to non-traditional roles
- Social responsible entrepreneurship
- The power of habit and what drives us
- Role of individual
- Role of local association
- Role of the IAA
Comfort zone

- We know what we do
- We know what we can
- Are we recognized as such?
- The comfort zone feels good

However

➢ The actuarial future begins at the end of our comfort zone
Focus areas in the near future

- Education
- Expertise
- Recognition
- Business Sense
- Professional Standards
Step out our comfort zone

- Actuary 1.0: Traditional/Specialist
  - Calculations
  - Black box

- Actuary 2.0: From Actuarial toward Risk Management
  - Calculations continue
  - Creative
  - Focus on communication, soft and technical skills

- Actuary 3.0: To be recognized as Risk Professional
  - Calculations/quants
  - We participate in the global societal discussions and are recognized by society
Before I say thank you!
IAA 23-26 May 2013: The Netherlands
2013: Dutch Actuarial Association: 125 years

- International seminar on May 24, 2013
- Integrated in the IAA program
- Dinner
- A Party you will remember!!
See you in The Hague in 2013
Thank you!