

6th Global Conference of Actuaries



Actuarial Profession – Larger Than Life

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Why do this presentation?

- Appreciate how our profession adds value to our employers
- Appreciate how our profession adds value to society
- View our profession from the perspective of contribution to the wider good

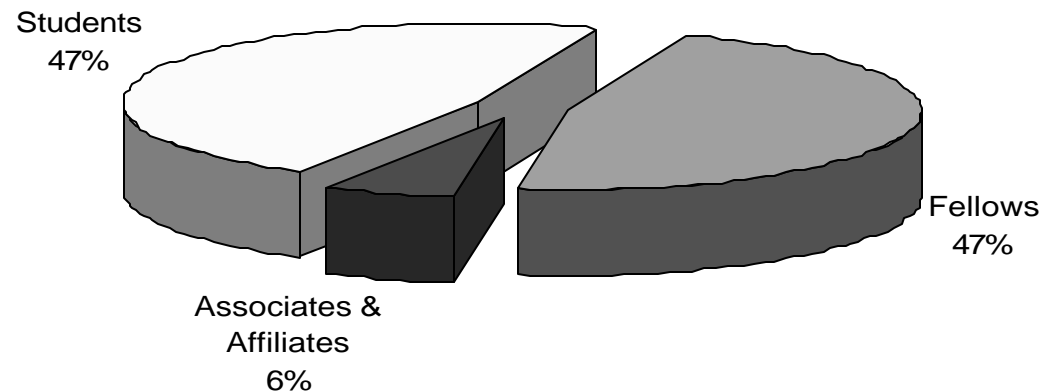
History of the profession

- Closely linked with public interest and serving the community
 - Burial societies in ancient Greece and Rome to pay for members' funeral expenses
 - In England in the Middle Ages it was possible to pay a lump sum to a monastery and receive board and lodging there for the rest of your life
- First life insurance company to use premium rates that were calculated scientifically for long term policies in 1762

A look around the world

Further information is being collected from SOA (US) and IAAA (Australia); comparative statistics will also be done

Institute of Actuaries (UK) as of June 2003



Who we are?

- Are we doing boring premium rate calculations or are we part of market forces?
- Our work affects the finances of millions of individuals
 - The comfort level of our clients' retirement rely on us
 - The dependants of our clients depend on us to pay for their mortgage if something happens to the breadwinner
 - Our clients' kids depend on us to make sure enough is put aside for their university funds

Are you in your employer's cupboard?

- We are the front line of value creation for providers of capital
 - Allocate capital efficiently
 - Price a product that gives guarantee for the next 50 years
 - Build a profitable and sustainable business model
- We are the guardian of shareholders' future dividends
 - Easier to take the popular decision but is it in the best interest of all stakeholders?
 - A small error in life company' reserves can wipe out entire year's of profits

PCS, PCS, PCS

- A good and easy-to-understand product should be bought not sold
- Consumers trust our companies (and their actuaries) to keep the promises that were made to them
 - If they die they expect their beneficiaries to get a lump sum
 - If they become ill, they expect their insurer to pay for (some of) the medical expenses
 - If they bought a par policy, they expect to share the returns the insurer makes
- We are the guardian of
 - Policyholders' (& their dependants') financial future should certain unfortunate events occur
 - Policyholders' expectations of a reasonable amount of accumulated wealth after a certain period of time to provide for either retirement, education, pleasure, etc

Wider interests no longer

- General insurance, healthcare
 - Already “mainstream”
 - Volatility of risks
 - Complex statistical model
- Investment
 - Portfolio optimisation
 - Financial economics

Wider interests – natural extension

- Ageing of population
 - Put forward profession's public interest perspective
 - Inform public debate authoritatively and apolitically
- Genetics
 - Some aspects traditional
 - Significant implication on business and community
 - Protection of genetic information

Wider interests – bold new world

- Climate change
 - Complex, long term risks to model
- Electricity and energy markets
 - Volatility in supply and demand factors
 - Risk management & stochastic analysis
 - Consider alternative approaches – eg weather derivatives

Interviews with “wider-field” actuaries

- Questions asked
 - Why move to wider fields
 - How easy to obtain a position
 - How easy (or hard) was the transition
 - How useful existing actuarial skills
 - What skills they lack

Final thoughts

- Are we boring?
- What does an actuary do?
- Elevator speech
- Moving away from “not unreasonable”