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New Year's Evolution

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We live in the age of statistics. “Big Data” is the flavor of the month. Firms across all industries are collecting, storing, classifying and analyzing more data than ever before in a race to improve their profits and put themselves ahead of their competitors. As actuaries, we are ideally placed to benefit from this trend with our rigorous technical training and given that much of our professional lives revolve around making inferences from data with the ultimate aim of making or saving our employers’ money. And yet, in some sense, we’ve been here before. In the late 19th century actuaries were at the forefront of developing new techniques for pricing financial securities from bonds to equities. Yet it was ultimately two economists who went on to develop the theory that underlies much of today’s pricing of financial derivatives and PhD physicists who spearheaded the practical implementation of these theories on trading floors on Wall Street and in the City of London. Similarly, the role of actuaries in risk management hasn’t taken off to the extent that some might have hoped despite the introduction of the CERA qualification and the fact it was a Swedish actuary, Filip Lundberg, who first developed the foundations of mathematical risk theory more than a century ago.

History aside, it is clear that actuaries have the potential to make a significant contribution across a range of roles and industries in which we have not previously been involved. The extent to which actuaries have consolidated their position within the non-life insurance industry over the past few decades stands as a testament to our ability to do this successfully. More recently, actuaries have begun to take tentative steps in fields such as banking, health care and energy. It is towards this aim that we have recently established a working party at the Institute and Faculty of Actuaries (IFoA) in the United Kingdom to look at opportunities for actuaries outside of the traditional areas of insurance, pensions and asset management. Our first port of call has been to commission a survey of IFoA actuaries who are currently working in, or have experience working in, so-called “wider fields.” We hope to learn from the experiences of these pioneers of our profession and draw insights that could help other actuaries make similar moves in the future. Our initial investigations should also help us to understand what sort of additional skills or training would likely be required in order to make the most of these new opportunities.

With one of the lengthiest average times to qualification around, it’s probably safe to say that actuaries recognize the

importance of education! Despite this, it is relatively unusual for qualified actuaries to take up full-time roles in education. To some extent this is beginning to change with the growth of university-level actuarial programmes, partially or wholly funded by the profession, in both the United Kingdom and the United States. We feel, however, that there is potential for greater actuarial involvement in education and are keen to explore models that might encourage and allow actuaries to contribute more to this area. Potential solutions could involve, for example, developing more possibilities for actuaries to combine a part-time role in education alongside their day job.

Whilst we may arguably be about to enter a golden age of opportunities for actuaries, it is probably also true that never before have we been faced with so much competition from other types of professionals with skill-sets similar to our own. In the United Kingdom around 84 percent of FTSE 100 companies have an ICAEW1 chartered accountant on the board of directors. Management consultants are increasingly utilizing sophisticated quantitative techniques to assist their clients in making the most of their data. The CFA has done a great job in establishing itself as the credential of choice in the investment industry. “Quants” and financial engineers dominate the development of financial models in investment banks. Most employers in most industries have heard of the MBA and are, at least to some extent, aware of the skills and benefits that a person equipped with that qualification might bring to the company. Can we say the same about our own profession? What exactly are the perceptions of actuaries amongst non-traditional employers and how do we best express our value proposition to them in the future? These are questions that we hope to be able to address as part of our research.

In an increasingly global and fast-moving economy it is important that actuaries work together to promote our skills and maximize our potential as a profession. In the words of Charles Darwin, “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.” If you would like to contribute to our research please do get in touch; we would love to hear about your experiences and your contribution could help ensure that our profession continues to remain influential and relevant in the future. ■

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ENDNOTE

- 1 ICAEW stands for Institute of Chartered Accountants in England & Wales. Source of figures: ICAEW member data as at 1 Jan 2011, FTSE 350 data at December 2010.