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The Risk Manager of the Future

By Karan Phadke

Karan Phadke is an actuarial mathematics student at the University of Toronto. He can be reached at karan.phadke@utoronto.ca.

Whether it regards daily work or momentous career decisions, "Where are we headed?" is a question that is, in some form, asked by everyone in the actuarial field. In fact, even the credentialing process offered by the SOA has an element of prediction embedded in it. The array of tracks available on the path to fellowship requires students to make a bold decision on both the profession and their own future. When it comes to actually trying to answer this question, though, it is best to first carefully examine the past.

Historically, actuaries have worked in insurance (life, health, property & casualty) and benefits consulting. A quick glance at the industry today shows that while there is now a greater dispersion amongst banks and government, the overwhelming majority of actuarial talent remains within the historical hemispheres.

Upon further inspection of the "traditional" roles, there are three salient points that will most likely affect trends in actuarial employment.

The first is the impact of health care reform in the United States. This has temporarily created further demand for health actuaries and may well allow for even greater opportunities past 2014.

Second is the ever-increasing emphasis on enterprise risk management (ERM) within the insurance industry. The importance and size of risk departments will continue to increase as products with more market risks are developed. The swathes of actuaries in corporate risk roles in recent years are testament to this push into riskier, higher margin products.

The final point to consider is the slowdown in defined benefit retirement work and the corresponding decline in demand for actuarial expertise in this area. Perhaps this is a boon in disguise for life insurance companies in the individual annuity business? The decline in demand is forcing actuaries working in this sector to evaluate how to use their skills in other ways.

It can therefore be seen that even the historical tracks are fertile with opportunities. The financial crisis, however, has made it clear that there is an even greater need for highly competent risk professionals on the asset side of finance (and in a capacity reaching beyond asset/liabil-

ity management). The capital markets, investment and financial derivatives world, which has been dominated by "quants," could greatly benefit from the actuarial touch.

The competencies of the actuary, from managing contingencies and ERM to predictive modelling, are perfectly suited for the noninsurance world. Indeed, the thorough statistical methods that actuaries regularly encounter can be used to better control risk at oil/gas giants, green technology start-ups or even in manufacturing and inventory control systems.

So where were the actuaries at BP or Bear Stearns?

Is it possible that the lure of higher pay in historical roles is what continues to keep actuarial talent pigeonholed? After all, who would want to take a pay cut and go work in a new arena with no rigorous actuarial processes or framework? Then again, who wouldn't want to be the first to "pave the way" in a new area, thus creating a new path for future actuaries?

Getting actuarial practices widely recognized is no easy task. The solution lies in getting more actuarially trained professionals to work in nontraditional positions. The major obstacles in achieving this seem to be travel time and wage differentials, in addition to convincing companies in nontraditional sectors that they need actuaries to help manage their risk.

Although a low supply of actuaries might help maintain wage levels, it also means that students are essentially forced to walk the well-worn path in search of a larger salary. The daunting travel time also forces many talented individuals to seek other types of credentials in finance or even abandon their current exam attempts.

In my opinion, the introduction of "CERA-like" designations is a positive step forward. Perhaps credentials without a heavy emphasis on life contingencies and insurance would encourage more risk professionals to learn actuarial concepts and then apply this knowledge in other areas of expertise. It seems to be clear within our community that there is a need for prudent actuarial thinking outside of historical roles—the challenge is to get the rest of the world to see this too.

In conclusion, it is clear that there are numerous obstacles that the profession and the future actuary will have to overcome. Yet, one thing remains clear. Actuaries are arguably better at analyzing and interpreting risk than any other professional. The exhaustive exams teach us how to manage risk, not eliminate it. If the profession is to continue to flourish, it will be vital to take this idea and apply it to one's career too. After all, risk is opportunity. ☆