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# Dare to Live on a Long White Cloud?

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When I was living in Australia, I never paid too much attention to this little island right across the Tasman Sea, not to mention imagine that I would go and work there for a part of my life.

But when I was looking for a new challenge right after the Global Financial Crisis, I realized that I really needed to expand my horizons, so I turned to New Zealand, which in its aboriginal Maori word “Aotearoa,” means “Land of the Long White Cloud.”<sup>1</sup>

## SO, WHAT DOES IT FEEL LIKE TO WORK ON THIS PIECE OF CLOUD?

First, I must say, I was quite lucky that I was one of the pioneers who went against the mainstream—most professionals would choose the other direction but I was fortunate enough to have seen the opportunity and been offered one.

It was a crucial year for the New Zealand life insurance market in 2010. New tax legislation targeting the industry was in place and faced increasing scrutiny and upward pricing pressure. My company brought me into the re-pricing work. They were regular pricing considerations, like various demographic decrements, expenses and reserve calculations. One interesting thing about the Australian and New Zealand actuarial work is (or was) the Margin on Services (MoS) type of calculation—now in hindsight is quite beneficial in understanding the new IFRS Contractual Services Margin calculation.

Almost a year later, my company merged with a local player. Being one of the few actuaries in the new company, I was promoted into a project-based type of role where I oversaw both pricing and valuation sides of work. This is very unusual for a newly qualified actuary in countries where actuarial resources are just abundant due to university accreditation programs or the exam system. Hence for young and ambitious actuaries who want to do more, I would recommend trying places where it is a lot harder to become a fully qualified actuary, but nonetheless still involves all essential actuarial type of work. This way, it is just a lot easier to get more responsibilities and exposure.



## WHAT IS THE LIFE INSURANCE MARKET LIKE?

Up until 2010, the New Zealand insurance market was actually regulated by the Australian regulator, APRA, hence it should come as no surprise that the New Zealand product offering and reporting requirement is very much like its neighbor.

The market is primarily protection product driven, I would say at least 90 percent of individual products sold in the country are term life, total and permanent disability (TPD) and trauma (critical illness) products. While historically annuity products were popular in the 70s, there is virtually no new offering or consumer appetite for these at the moment.

In very recent years, a couple of companies started to focus on the retirement segment. Just like many developed economies, New Zealand is no different in terms of underfunded status of the Social Security system, with the defined contribution (DC) like retirement savings plan introduced only less than 10 years

ago. In my personal opinion, one great challenge of this type of product (such as the Seg Fund) is the lack of investment vehicles in the country. Fund managers have limited resources to pursue adequate returns that would be either explicitly or implicitly embedded in the product offering, it is going to be interesting to see how exactly they manage this long tail risk.

Compared to most other advanced economies, New Zealand life insurers enjoy a reasonably high risk free rate—the Official Cash Rate (OCR) published by the Reserve Bank of New Zealand is sitting at 2.25 percent even though it had come down by at least 125 bps since a year ago. The drop in rates posed some serious issues with participating products sold historically, having guaranteed a dividend around 3 percent. However, this issue is much less severe compared to some companies I have seen in other places where the overnight rate is close to zero, but the dividend scale is around 4 percent.

### WHAT IS THE PROSPECTUS FOR OVERSEAS ACTUARIES, REALLY?

Even though I have already left the country, I would still say that I loved it and I believe it's a great country to live in and to work as an actuary. In my opinion, the top three reasons why I would recommend actuaries who dare, to take the risk of working in New Zealand are:

- As mentioned before, in New Zealand, a dedicated and smart actuary gets noticed fast, and will get assigned to more important responsibilities so early in their professional life. Take me for example, I was able to get involved in making asset allocation decisions, present campaign analysis and propose recommended action plans directly to the CEO on a regular basis at the age of 25.
- As a country that does not produce part-qualified actuaries straight out university, those of us who already have a few exams under our belt have a natural advantage when competing with local talent. Therefore, overseas actuaries generally spend less time on exams and hence can put in more effort to excel at work.
- For those practicing in big cities, commute to work is always a pain, and moving out of the city could mean losing some of the convenience in life. New Zealand—being a small is-

land—inevitably has a relatively compact lifestyle, so you can actually have it both ways, if you want.

So, now you may wonder, if it was really that wonderful, why did you leave? Well, just like every coin has two sides, being an actuary on this land poses some problems as well:

- The market is a bit too small that everyone knows everyone which leads to less opportunity for job mobility.
- The product offering, as pointed earlier, is limited to protection-oriented ones. For actuaries who spent their entire career in the wealth management business, there is fairly limited use of that knowledge and experience here.

### SOME FINAL REMARKS

Working in New Zealand as an actuary is not that much different from other places, you still need to become acquainted with products and regulations; you still need to stay late to finish that pricing report or meet the annual filing deadline; and you also need to find that optimal work/life balance you always wanted. However, it is unique at the same time that you will be (almost) the first one to see the first sunrise every year, you will be gaining lots of new experience and you don't need to shop hard for organic in the supermarket because almost everything is.

So if you ever dare to live on the Land of the Long White Cloud, say “Kia ora” to your new life journey! ■



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### ENDNOTES

- 1 New Zealand's Maori meaning ([https://simple.wikipedia.org/wiki/New\\_Zealand](https://simple.wikipedia.org/wiki/New_Zealand))
- 2 Reserve Bank of New Zealand: Official Cash Rate. <http://www.rbnz.govt.nz/monetary-policy/official-cash-rate-decisions>