

Why it is good to have quality actuaries: CNB view

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The future of the profession of actuaries

Czech Society of Actuaries

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- Employed predominantly in insurance companies
- Strong (almost exclusive) focus on calculation of insurance premiums and technical provisions
- Following procedures set in academic papers
- Perceived to be those who are doing something that nobody (really) understands...

...but it is desirable to have them

Main focus on theoretical knowledge

- Knowledge base was wide, but priority was given primarily to quantitative background
- Simplifying, we can recognise the following “ranking”:
 - Statistics
 - Programming
 - Econometrics
 - Finance
 - Law
 - Economics
 - Business

Actuaries concentrated typically on technical fields

- Computational power and actuarial tools have advanced rapidly, and so have possibilities of actuarial analyses
- Insurance products have become much more complex
- Market competition has increased
- Regulatory standards have expanded and include many governance principles that need to be followed (complied with)

Due to these changes it is no longer sufficient to have (only) quantitatively oriented actuaries

- Academic technical knowledge needs to be complemented with business-based knowledge and experience (more than ever)
- Actuaries no longer form isolated department – knowledge of other areas is crucial and indispensable
 - Need to use information from different departments and sources
 - Need to provide outputs to other departments and higher management

Focus on interconnection with business and other areas

- Actuaries are being employed in various sectors of financial system
 - (Re)insurance companies (pricing, reserving, ALM, risk management)
 - Pension companies (pricing, ALM, risk management)
 - Central banks (supervision, regulation)
 - Government (decision making)
 - Audit and advisory companies
 - Universities

Wide use of actuaries in various institutions confirms their “usefulness” and improves their prospects

- Good theoretical and technical knowledge not sufficient (higher integration into company)
- Not always exact science – use a lot of qualitative knowledge and expert judgement
- Work of actuaries substantially reaches managerial level – soft skills becoming increasingly important
- High personal integrity and ethical behaviour

Being a mathematician is a necessary but not a sufficient condition for being a quality actuary

- Majority of former (predominantly technical) actuarial agenda will be performed by artificial intelligence
- However, importance of actuaries will increase and will stem mostly from interpretation and presentation of analysis outputs and their contribution into decision-making processes
- Increased emphasis on policyholder protection through incorporation of *conduct of business* aspects into their work

Actuaries will become more important to higher management
(and take a more decisive part in it)

- Areas of knowledge have expanded greatly
- Moreover, priorities change over time; simplifying, we can recognise the following evolution:

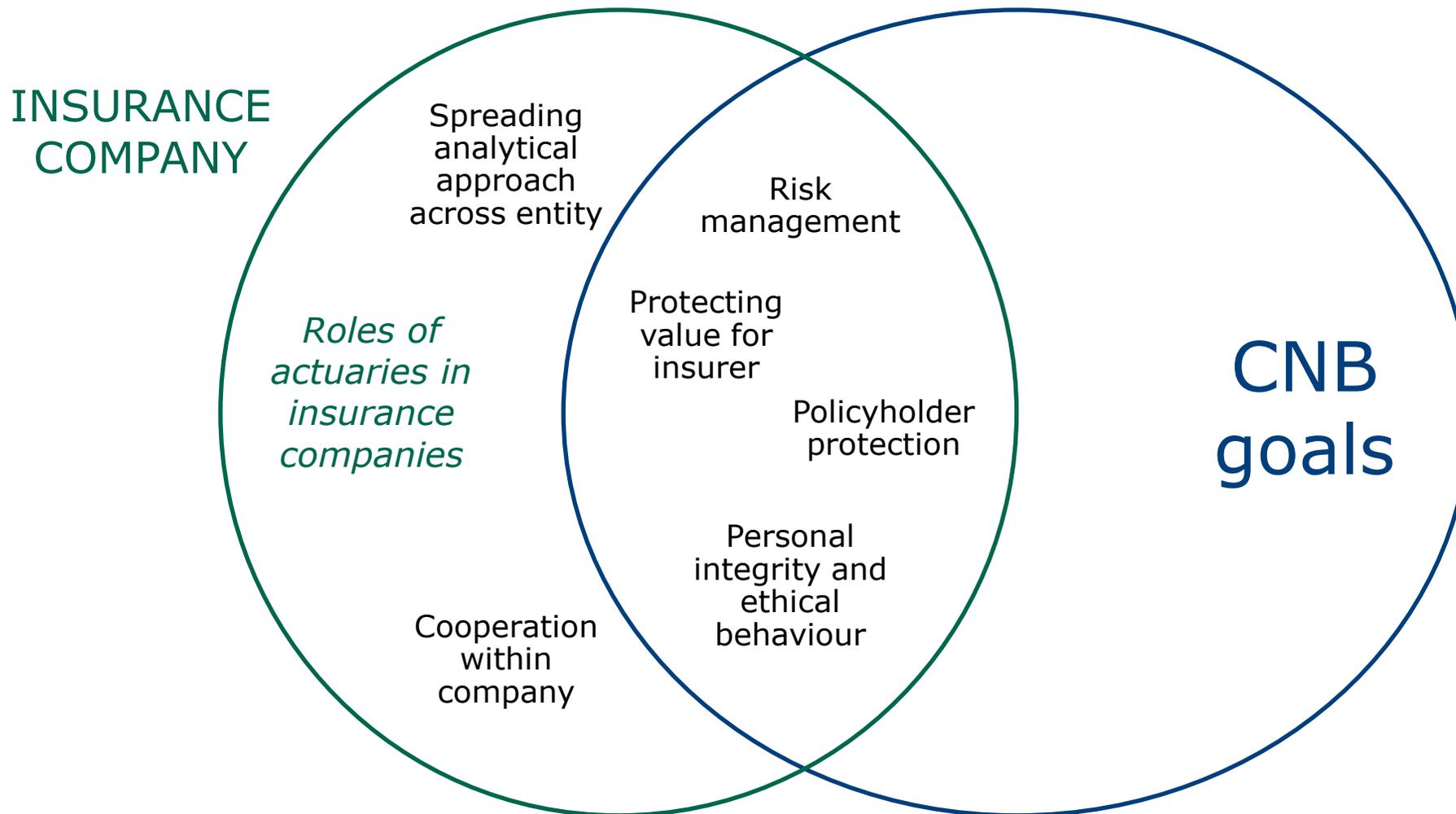
Former “ranking” of priorities

- Statistics
- Programming
- Econometrics
- Finance
- Law
- Economics
- Business

New “ranking” of priorities

- Finance
- Business
- Statistics
- Law
- Economics
- Econometrics
- Programming

“Renaissance” actuaries are in high demand



Actuaries help the CNB achieve its financial stability goals

- Policyholder protection
 - Conduct of business – focus on personal integrity and ethical behaviour of actuaries is essential in order to properly include conduct of business aspects
 - Actuaries are important members of product committees and should strive for products that are fair and understandable for clients
- Stability of financial system – strengthened through stability of individual companies
 - Solvency of company – performing actuarial best practice contributes to holistic view in company's risk management

Policyholder protection and financial stability are among the CNB's key goals

- Issuing technical and ethical standards
- Providing further education to its members
- Providing patronage over its members to protect fundamental principles recognised by Czech Society of Actuaries

The CNB appreciates the activities of the Czech Society of Actuaries, which are helping the CNB to achieve its financial stability goals

- Who is actually a quality actuary?
 - Not just mathematician, but renaissance actuary
 - Valuable contributor to decision-making process in company
 - Participator in process of implementing conduct of business aspects in company
- Why is it good to have a quality actuary?
 - Policyholder protection
 - Financial stability

Thank you



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