



CARIBBEAN ACTUARIAL ASSOCIATION



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General Insurance – a guide for actuaries in penetrating the industry

Geoff Atkins – Finity Consulting Pty Limited

geoff.atkins@finity.com.au

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This discussion is about ...

- How an individual actuary can penetrate the general insurance industry
- What the profession can do to build a pre-eminent position in general insurance in the local markets

My Perspective

- Australia in the 1970's:
 - A handful of pioneers
 - The GI Discussion Group
- Australia in 2010
 - About 300 actuaries in general insurance
 - Appointed Actuary role with liability valuation and financial condition report
- How did this happen?



The Beginnings

- Insurance Act 1973 put focus on proper measurement of liabilities, especially outstanding claims
- Workers compensation problems – periods of high inflation and governments backdating benefit improvements
- A difficult and important business problem

The Middle Years

- Workers compensation dominated work in the 1980s – NEM insolvency, scheme crises, government involvement
- New GI accounting standard in 1991 – implied the use of ‘actuarial methods’
- By the mid 1990s it was common market practice to get actuarial liability valuations for long tail classes, but not short tail

All Grown Up

- 2001 – Appointed Actuary role required by law; whole company liability valuations
- 2005 – Financial Condition Report added – a compulsory report to the Board with holistic risk perspective
- Actuarial employment:
 - Big companies with 30+ actuaries
 - Medium companies with one or two
 - Large consulting firms (Finity has 50)
 - Smaller firms and sole practitioners



New Zealand by comparison

- No personal injury insurance (a 24 hour no-fault state scheme)
- No prudential regulation of insurers
- About 4 actuaries employed in GI
- But the Insurance (Prudential Supervision) Bill of 2009 brings in Appointed Actuary for all general insurers
- There are actuaries interested in doing it, even though experience is limited

Trinidad and Tobago

- A new Insurance Law for 2010
- Canadian experienced regulators very keen on actuarial role
- But, there are no actuaries and the insurance companies are not ready

What are the key ingredients?

- For the profession:
 - Principles based education
 - High ethical standards (reputation)
 - Focus on business problems
 - Demonstrate willingness to help
 - Work together to grow the pie

What are the key ingredients?

- For the individual actuary:
 - Principles-based education
 - Learn about the industry, not actuarial techniques
 - Avoid over-confidence – ‘let me give it a try’
 - Collaboration before competition
- GI is different and (in my opinion) much more fun!

Principles-based Education

- A real dilemma for the Caribbean
- USA – CAS or SoA?
 - Neither is a good choice
- Canada – not teaching directly, locked into US
- UK – really too far into the detail
- Australia – half a world away; mixed in with technical and specialist
- It would be great to have a general insurance module that people can do for professional recognition of competence in the field



What would this module look like?

- Market and product structures, with focus on motor, workers compensation
- Accounting standards and methods
- Reinsurance
- Outstanding claims (fairly thorough)
- Pricing (more basic)
- Risk based capital

What I did

- Read stuff about the industry (lots of stuff!)
- Talk with people – actuaries and managers
- Concentrate on the business problems rather than the technical niceties
- Find ways to explain actuarial stuff to insurance people

General Insurance Seminars

- Organised by the actuarial profession
- Every two years
- Aimed at industry and regulators as well as actuaries
- A serious, learning forum without profit motive
- Earns respect and reputation over time

Some closing thoughts

- Business value first, regulatory second
- A natural pathway through:
 - Good practice liability valuations
 - Regulatory liability valuations
 - Financial condition report
 - Commercial value in pricing and management
- A ten year plan for supply and demand in tandem