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International Association of Consulting Actuaries

The Actuarial Profession & Consulting Actuaries in the 21st Century

Our Agenda this morning

- Overview Presentations  60 min.
  Norm Crowder - US environment
  Paul Thornton - UK and Europe
  Alice Gannon - Casualty worldwide
  Stuart Wason - Canada/Latin America
  Dick Mitchell - Australia/Asia
- Questions & Answers  30 min.
US Environment

Topics to be Covered

- Major Forces at Work
- Long Term Trends
- Major Challenges Ahead
- Closing Comments

Major Forces -- Life Insurance

- Rapid Period of Change - exposure to the real world?
  -- Globalization - continues
  -- Financial Services consolidation remains to happen
  -- Changing distribution & customers
    - costs & value of current systems
Major Forces - Life Insurance

- Impact of Internet
- New customer demands - who’s in control?
- Recent Tillinghast survey - Top 3 CEO issues:
  1. Distribution effectiveness & productivity 85%

Major Forces - Life Insurance

2. Increased competition, restructuring and consolidation 63%
3. Changing market & customer demands 45%

Are these forces confined to life insurers only??
Long Term Trends/needs - Life

- Lower cost of product
  -- in overhead, distribution & service
  -- competing with mutual funds, etc.
- Making distribution more effective
  -- more value/info from systems
  -- marketing/selling info - targeting
- New skills vs. traditional actuarial expertise - need to extend work

Long Term Trends/needs - Life

-- learn new skills? marketing, customer service, processing
-- add new practitioners?
-- need for multidisciplinary teams
-- actuaries may no longer in control

Share, or not grow?
Long Term Trends/Needs - Life

- Rising customer control
  -- agent may have lesser role
  -- new generation wants information, control and service INSTANTLY
- Multinational dimensions
  -- non-US regulatory rules
  -- different cultures

Major Forces - Pensions

- Continued DB decline
- Rethinking retirement policy?
  -- Flexible retirement
  -- Growing participant control or say decisions - consumerism?
- Continued focus on investment expertise: performance measuring, recordkeeping, etc.
Long Term Trends - Pensions

- End to paternalism - determinism
- Desire to lower benefit costs - overall
- Lower input to retirement needs
- Return to flex benefits?
- Direct relations between participants and investment & admin vendors

Major Challenges Ahead

1. Ability to change and grow
   -- Rapidly changing world
   -- "Givens" dangerous to rely on
   -- half-life of service or product - declining and rapidly

You can not sit back and relax
Major Challengers Ahead

2. Need to watch customers closely
   and react fast
   -- no longer a closed/controlled environment
   -- company/agents not in control
   -- new players challenging

Major Challenges Ahead

3. Learn to share
   -- traditional actuarial tools no longer key, in many cases
   -- fuller range of skills required
   -- become a problem-solver, not just an insurance/benefits math
   -- become the project leader
4. Broaden your perspective
   -- actuaries DIDN'T hang to moon!
   -- stable, closed environment gone
   -- multi-national issues abound
   -- must learn about other parts of financial services, e.g. banking
   -- need to establish credibility.
   beyond traditional actuarial

Closing Comments

• It's all about change
  -- it's here and it will continue
• And the need to keep growing
• He who sits back and rides on reputation and past work, will be GONE in short order