

Why Use an Actuary?



“An Actuary is a particularly well equipped financial professional to assess risk and its financial consequences.

I welcome the initiatives of the Groupe Consultatif aiming at a further professionalization of the actuarial profession.”

Karel Van Hulle

Head of Unit, European Commission
DG Internal Market and Services
Insurance and Pensions Unit

What is an Actuary?

Actuaries are the acknowledged experts in modelling complex future events which have a financial impact and in the analysis of risk-related data. Actuaries provide realistic and innovative solutions to financial and other problems, especially over the long term and for uncertain events, using a control process to monitor and refine solutions over time.

Actuaries are equipped to help their clients and employers to make informed choices. These include governments, social partners, consumer organisations, funds, industries, businesses and individuals. Actuaries develop efficient solutions to safeguard financial security systems in an ever-changing world. They communicate the implications and the level of uncertainty of the results obtained, enabling those responsible to manage their risks better.

Who is a Qualified Actuary?

Qualified actuaries typically belong to one or more professional bodies, which safeguard the quality of their members' actuarial work through strict educational requirements, both initial and continuing, promulgation of a code of ethical conduct and actuarial standards of practice. Quality control is supported by a fair and rigorous disciplinary process with appropriate sanctions where an actuary is found to have fallen short of what the public or other actuaries might expect.

Fully qualified actuaries are required by the professional bodies to have completed a demanding education covering at least the material in a defined core syllabus, which includes mathematics, statistics and probability, economics, finance, accounting, modelling, professionalism and applications to the management of risk and different types of financial entity.

The professional conduct of actuaries is based on key ethical and behavioural principles, such as integrity, objectivity, competence, compliance, transparency, communication, and care for the user and others affected by the advice.

What do Actuaries do?

Actuaries work in all areas where an understanding is required of a combination of the probability of uncertain future events and their financial consequences.

Actuaries work primarily in fields such as in life, general and health insurance, reinsurance, enterprise risk management, pensions and social security, health care financing, investments, corporate finance, banking, financial advice, regulation, public finance, education and research.

In insurance companies actuaries calculate technical provisions, carry out asset-liability modelling and management, solvency assessment and risk management, design data systems, help in the classification and underwriting of risks, advise on appropriate contract design and pricing, and advise on appropriate tools for risk mitigation.

Actuaries and Solvency II

The Solvency II Directive requires all insurance entities to have an “actuarial function”, staffed by fit and proper persons, to:

- coordinate and oversee the calculation of technical provisions
- oversee data management and quality control
- make judgements about methods and assumptions
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions
- provide an opinion on the overall underwriting policy
- provide an opinion on the adequacy of reinsurance arrangements
- contribute to the effective implementation of the risk management system, especially in regard to the use of models

The Directive also requires all insurance entities to have a risk management function.

Qualified actuaries who are full members of one or more of the professional associations in Europe which make up the Groupe Consultatif are the natural candidates for leading and carrying out the actuarial function, as well as many other tasks under Solvency II, including the risk management function, asset-liability management, developing the Own Risk Solvency Assessment (ORSA), preparing the Solvency and Financial Condition Report and independently reviewing and certifying work carried out by others.

In particular they can be expected to meet the fit and proper requirement, because of the qualification standards of the profession, the high priority given by the professional bodies to their members having to keep up-to-date through continuing professional development (CPD), the strong ethical code, technical actuarial standards and a disciplinary scheme.

Would you be prepared to take the risk of getting medical advice from an unqualified person who is not a full member of the appropriate profession? If not, why would you take that risk in the case of actuarial expertise?

MAKE SURE YOU USE A QUALIFIED ACTUARY.

GLOSSARY

Solvency II is the short name given to the new regulatory framework for insurance entities being introduced by Directive 2009/138/EC

Fit and proper Article 42 of Directive 2009/138/EC sets out requirements for persons in key functions to be fit and proper, which includes having technical competence and strong ethical standards (e.g. integrity)

ORSA Article 45 of Directive 2009/138/EC requires insurance entities to carry out an own risk and solvency assessment (known as the ORSA) which takes into account the specific risks of the undertaking

What is the Groupe Consultatif?

The Groupe Consultatif Actuariel Européen (the Groupe), founded in 1978, is the Brussels-based umbrella organisation, which brings together the 34 professional associations of actuaries of the countries of the EU, together with the countries of the European Economic Area and Switzerland, and some EU candidate countries. The Groupe has established and keeps up-to-date a core syllabus of education requirements, a code of conduct and discipline scheme requirements, for all its full member associations. It is also developing model actuarial standards of practice for its members to use and it oversees a mutual recognition agreement, which facilitates actuaries being able to exercise their profession in any of the countries concerned.

The Groupe also serves the public interest by providing advice and opinions, independent of industry interests, to the various institutions of the European Union – the Commission, the Council of Ministers, the European Parliament, EIOPA and their various committees – on actuarial issues in European legislation and regulation.

