BY AIMEE KAYE

# Trends in Actuarial Employment

NO MATTER HOW CONTENT YOU MAY BE WITH YOUR CAREER AS AN ACTUARY, it never hurts to once in a while take a look around at the various trends in actuarial employment. What are the factors that most affect opportunities? What are the hot areas of specialization, and which areas of the country have the most opportunities for actuaries? How do actuarial exams affect employment opportunities and finally, how can you enhance your own marketability to insure that you'll continue on a rewarding career path?

### Demutualizations

The demutualization fever so prevalent in the insurance industry continues to generate an increased need for actuaries at all levels. Most of these openings are financial in nature, due to the GAAP reporting that needs to be done before and after conversion. Actuaries at companies going through a stock conversion are required to work with rating agencies and Wall Street analysts, in addition to the extra reporting that has to be done. But that's not all. Newly formed stock companies are looking for product lines and market niches to find opportunities they can capitalize on and grow their revenues to enhance their bottom lines.

### Mergers and Acquisitions

The race begins once a company has demutualized and converts to a stock company. The company either looks for blocks of businesses to grow revenues, or it looks to buy entire companies to increase its size, market share, and distribution. Companies also try to prevent the possibility of being acquired.

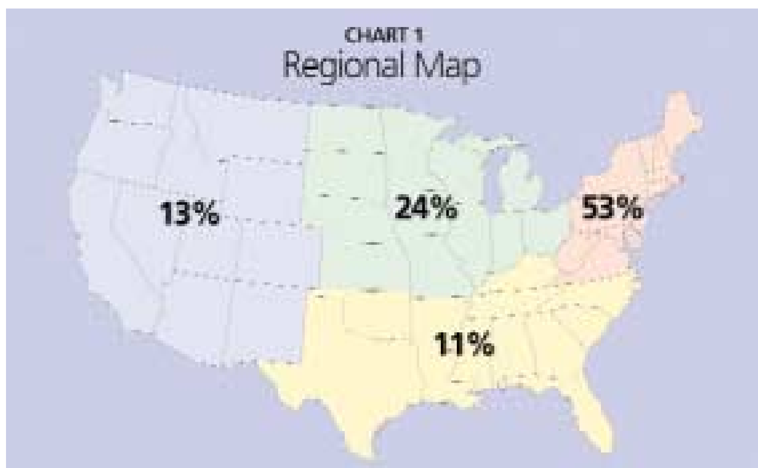
Obviously whenever an acquisition occurs, there are both opportunities for actuaries and a duplication of actuarial jobs. Time and again, being the acquirer is no guarantee that your management team will remain on top. If the acquired company is the stronger entity, it's more likely to prevail.

Sometimes all positions are kept and modified to make the combined entity stronger. Or, even if the entities are kept separate, they slowly cross-fertilize, integrate, and eliminate duplicate positions.

Companies that have an acquisition strategy offer an increasing number of opportunities for those with mergers and acquisitions experience. Positions range from due diligence and appraisal work to those involved with putting together the deal. Actuaries help select those companies or blocks of business that are well priced and fit with company objectives. With today's increased M&A activity, and the importance of analyzing risk, actuaries—just like investment bankers and other finance professionals—are becoming more involved with the whole process.

### Joint Ventures

Companies that don't go the M&A route often create synergies with other companies that have similar products or similar markets but various distribution channels, making them stronger. Today's competitive market is making new stock companies obsessed with increasing revenues. After all, Wall Street rewards the companies that can grow and successfully sustain their growing profits.




### Reinsurance

Reinsurance has expanded from the traditional reinsuring of policies and blocks of businesses to a funding vehicle for acquisitions. Reinsurers are looking for people with actuarial skill sets to fill merger and acquisition positions, and for people who know GAAP, modeling, how to analyze blocks of business, and how to make deals.

Administrative reinsurance is becoming more of a trend as reinsurers acquire closed blocks of businesses. Those departments are expanding, they need an increasing number of actuaries to handle the ad-

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ditional back-end reporting work necessary for these transactions.

### Risk Management

It's a new trend, but when you think about it, actuaries have been predicting and calculating risk, and managing it for a profit, since the insurance industry began. So why now are these so-called "risk managers" out there competing for actuarial jobs?

First, is the competitiveness of the industry. Companies want to maximize their strategies, and increase their market share and corporate profits. But at the same time they want to manage their risks and limit their downside.

The second reason was illustrated most recently by the financial difficulties of both Unicover and General American that hit everyone in the industry. They proved that managing risks on a risk-by-risk or business-by-business basis, with little or no analysis of how events in one area could impact the enterprise as a whole, is risky business itself.

As a result, there are new risk manager opportunities at the corporate level and in various business units. Skills needed include a variety of investment backgrounds, asset/liability expertise, financial analysis, credit analysis, and diverse experience with different product lines and their impact on product/financial/corporate/distribution. Risk managers are able to look at mergers and acquisitions and investment strategy in conjunction with product and distribution strategy. They take a macro view into micro details and a closer look at the various outcomes of investment and reinsurance deals.

But risk management doesn't stop there. The opportunities are endless, especially if you're a sharp, dynamic actuary with a broad perspective.

### E-Commerce

We are just beginning to see e-commerce infiltrate into the insurance industry with an increasing need for actuarial talent. A very small percentage of actuaries are working in their own company's online efforts, whether it's for their retail or wholesale customers, or office-to-office business.

The Internet promises to transform the insurance industry over the next few years. Movement is still slow, but companies are working with distributors, agents, and even regulators to short-cut processes by working online. On the consumer side, insurers need to design online products that are stripped down to their basics and priced at a discount. The playing field is wide open for online insurance sales, so we should be seeing more opportunities for actuaries in their own companies, or for those with online experience to obtain jobs with independent dot-coms in the near future.

### Financial Services Integration

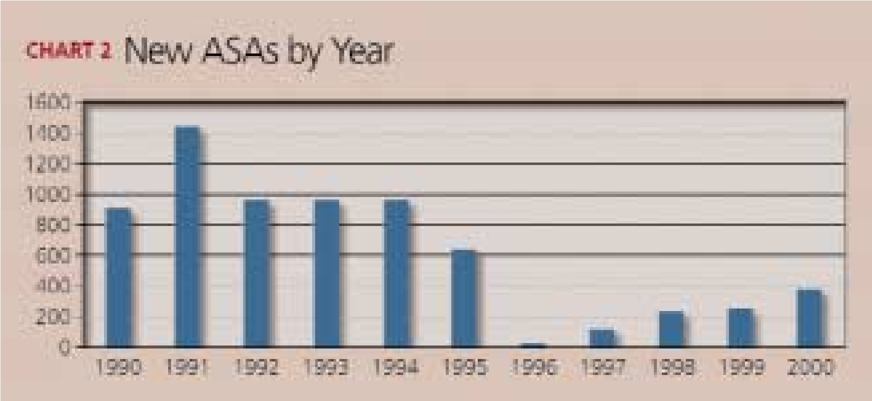
I would have expected more opportunities to arise once Congress had repealed the law that prohibited banks from selling insurance (Citibank/Travelers seems to have the early lead out of the gate), but it's been slow moving. Insurance carriers, however, do need product/marketing actuaries with bank, brokerage, and wirehouse experience.

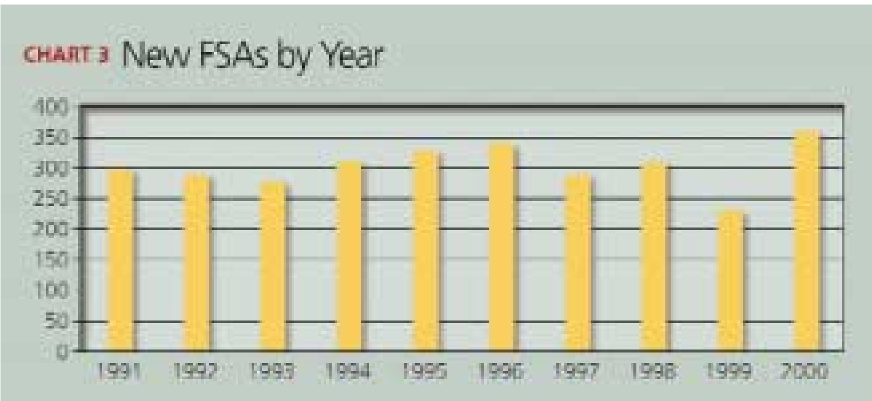
On the banking side, consultants are filling the roles of in-house actuaries, helping the banks ease into selling insurance products to their customers. Soon we'll see more and more opportunities with those same organizations as their businesses expand, thanks to the consultants.

### Supply and Demand

From 1990 to 1994, the number of new ASAs for those five years ranged from a high of 1,445 to a low of 902 students. These new ASAs have passed the 200 credits needed to get their Associateship status. In the middle of 1995, the requirements for Associateship status changed from the old 200-credit system to 300 credits. That is why there were only 640 new ASAs in 1995.

For the four years beginning in 1996




through 1999, the number of new ASAs ranged from 10 in 1996 to 233 in 1999. That represents a tremendous decrease from the 900 to 1,400-plus of the previous years. The number of ASAs for 2000 consisted of half under the 300-credit system (298) and half under the new six-exam system (66).

If you are a hiring manager at any level, you probably have an opening or two for someone who has taken life contingencies up through 250 credits. Now you can see why you're not seeing the numbers of U.S. candidates you did when you were recruiting in 1995 or earlier. The lack of supply has affected our country's demand for ASAs and pre-ASAs in every specialization and in every region of the country.

### Hot Positions

► **INVESTMENTS AND PENSIONS.** The investment area is expanding beyond the traditional investment opportunities at investment banks—those in the fixed-income, equity, pensions, portfolio management, capital markets, and insurance groups. Reinsurance companies are doing more investment-type transactions beyond financial reinsurance, such as structured transactions and securitizations. Investment banks are setting up reinsurance-type companies and departments to compete with the reinsurance companies, as well as to work with them on more complicated investment/financial-oriented deals. Reinsurance actuaries with the capital markets and structured transactional backgrounds are in demand and will continue to be in demand as more and more investment banks build and grow.

The asset/liability expertise is still in demand and growing as more and more insurance companies, consulting firms, and reinsurers look to manage the risks associated with all lines of insurance. Consequently, more and more companies are incorporating risk management positions into their organizations.

On the pension side, the activity is with consulting firms. Every pension consulting firm in almost every city is looking for mid- and lower-level actuaries for its defined benefit practices. There's also a growing trend for investment consulting with defined benefit plans.

► **LIFE AND ANNUITIES.** Those with variable life and variable annuity experience are in the most demand these days, with variable annuity product opportunities exceeding those with variable life. The population is aging; savings for retirement and variable annuities is a way for many to accumulate wealth for retirement because of their tax-deferred growth, flexibility, investment options, and no limits on how much one can buy.

Actuaries with experience with alternative distribution channels are also in demand as more and more insurance companies expand their distribution to banks, broker/dealers, and wirehouses.

Fixed product knowledge is also in demand with companies looking to joint-venture more traditional life insurance coverages with other companies or develop private label products to be sold through banks. Reinsurers are also providing their product development expertise to clients by instituting consulting units. Instead of charging an hourly rate as other actuarial consultants do, they're adding a reinsurance agreement on the products they develop as payment for the consulting service they provide.

► **FINANCIAL AND CORPORATE.** The hottest specialization by far is in the financial arena. I've been recruiting actuaries since the mid-1980s and I've never seen the market so skewed toward the financial reporting and valuation sector. There are so many opportunities for financial actuaries who have strong GAAP backgrounds, statutory expertise, valuation experience, asset liability, and modeling skills. Positions are available in traditional reporting, valuation, and financial analysis/projection.

With all the demutualization and M&A activity, companies are doubling the size of their financial and corporate actuarial staff. Many companies with foreign parents have been doing embedded value calculations for years, and many more domestic companies are seeing the need to do so as well. Companies are analyzing their own businesses, dissecting their profits to understand which product lines are generating profits, to whom they're selling and where.

Some carriers are even providing this analysis to their sales force to maximize sales efforts. They're using this information to expand those product lines doing the most business and eliminating or selling those blocks of business that don't fit into their overall profit strategy.

Financial actuaries aren't just reporting on what's already happened; they're developing models to analyze what, why, and where it's happened. They're projecting future growth and opportunities, and developing strategic plans that recommend future courses of action. The growth is phenomenal.

► **HEALTH AND GROUP BENEFITS.** All the M&A activity in the health care field has stunted its growth. In the Eastern region there are few carriers left, and even in the Blues systems options are limited. Most of the health care opportunities are in managed care; a number of HMOs that have been relying on consultants are now looking to hire their first in-house actuaries.

Long-term care is a growing area as the population continues to age. Work-site product opportunities are also expanding, along with individual health and supplemental medical opportunities. Reinsurers continue to grow their group and special-risk areas, and there's even a trend with P&C companies starting to capitalize in the group A&H and special-risk area, too.

► **REINSURANCE.** Reinsurance is growing both domestically and offshore. Tax advantages in Bermuda mean that profits for new startups there can be huge.

Regulation XXX has contributed to more activity in reinsurance in addition to the organic growth of reinsurers. Reinsurers are developing consulting groups to capture more of the direct life and annuity product market, and competing head to head with some of the consulting firms. Reinsurance capabilities have grown tremendously and continue to do so across all lines of business.

► **INTERNATIONAL.** As the world gets smaller, many major insurance carriers in the United States have foreign parents. And the U.S. divisions of those same companies, as well as some major domestic carriers, are expanding their reaches internationally. The regions of the world where there are more opportunities can be found in Asia (Japan, China/Hong Kong, Korea, India); Latin America (Brazil, Mexico, Argentina); and most recently in the Caribbean Islands (Bermuda, Cayman Islands).

Geographically, most of the domestic actuarial jobs (53 percent) are concentrated in the Northeast and Mid-Atlantic, due to the high concentration of insurance companies and consulting firms in that area. The Midwest accounts for 24 percent, the Western states provide 12 percent of the actuarial opportunities, and the South and Southeast account for 11 percent. (See chart 1.)

### Raising the Bar

Though there is a tremendous demand for Associates, Society of Actuaries (ASAs), there's an overabundance of opportunities for the "old system" 200-credit ASA, and the supply is very low. Why is the supply down? Let's look at some statistics. (See chart 2.)

It wasn't that long ago that all you needed was to pass five out of the 10 exams to become an ASA. Now, beginning in January of last year, the SOA requires six exams out of eight, plus professional development credits, to become an ASA. What will be the effect as the difference between the ASA and the Fellow, Society of Actuaries (FSA) gets smaller? Will that mean less demand for FSAs or just fewer new ASAs? Time will tell. One thing is for sure: Those who get discouraged with the exams will probably drop out, go back to school, or take jobs in other highly paid high-tech fields.

The dramatic change in the number of new ASAs each year is a direct result of the Society's change in the exam requirements. (See chart 2.) Because of the exams, one of the hottest areas in the actuarial employment trends is the vast number of pre-FSA and old ASA positions. New ASAs are close to getting their FSAs within a year and want an FSA position, not an ASA position. The hiring manager also wants an old 200-credit ASA (or someone with no more than four exams under this brand new system) for the type of work that has to be done. The numbers are decreasing and the demand is increasing as we make it harder for students to get their ASA.

The numbers of new FSAs are increasing from the 2000 conversion rules and will probably maintain high numbers for the next few years, while ASAs take advantage of the new requirements and get their FSA. (See chart 3.) New FSAs are always in demand, as they're the lifeblood of any organization. The demand for new talent that can be trained as future leaders has always been high and will continue to be so.

Opportunities for the more seasoned FSAs are always fewer. But as the profession diversifies, with the new reinsurance startups, risk management positions, and mergers and acquisitions, there are more senior positions than there have been in years. But there are also more senior people competing for them. This level is the most competitive for open positions. The trick is to keep yourself more marketable.

### How to Keep Yourself Marketable

► **STAY HANDS ON.** The easiest person to place is a team player with hands-on expertise and good communication skills who can also manage people and projects.

► **BE CREATIVE.**

► **TRY TO GET EXPERIENCE** in growing areas and keep learning the new technology, anything to keep yourself fresh and current.

► **KNOW WHAT THE TRENDS ARE** and try to maintain your place on the cutting edge.

Coupled with the changes the society has made, there have been overall changes in our economy. With the economy being so good, there are more options for those students with a superior mathematical aptitude to go into other fields besides actuarial. Some are going right into high technology professions. There are others who are starting their careers as actuarial students but end up leaving the profession if they fail an exam or two or are unhappy with their current position. Successful actuaries need to reach out to these actuarial students and tell them about the exciting options available to them in the actuarial profession. ●