

## A FISTFUL OF DOLLARS

by

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Everyone knows why they entered the actuarial field. The allure of what success as an actuary can bring – money, status, power – is a powerful attraction in anyone's book. However, this only scratches at the surface of what can be gained from an actuarial career. It is only a matter of time before the heady rush from receiving another exam cash bonus, comparing your monthly tax payment to your telephone number, or noticing people's stifled gasps as you declare modestly "Make way, I'm an actuary", begins to wear off. It is at this point that you start to really appreciate the meaning of "Job Satisfaction".

I personally fell into the actuarial profession purely by chance; one of those curious quirks of fate that throws one off life's merry-go-round and into the sand-pit. Fortunately I had a soft landing. It was my mother who introduced me to my first actuary, a Kiwi actually, prior to which the only Kiwi I had come across was in the form of a tin of boot polish. I was immediately impressed, not by his curious accent, his sophisticated dress sense (brown suit and hush puppies), or by his knowledge of dedicated bond portfolios, but by his extremely large BMW, 5-bedroom house and very attractive wife. It wasn't long before I had rid myself of the career plan that revolved around waiting for Auntie Millie to die and leave me a massive inheritance that I firmly believed she had stashed under the floorboards of her pre-war bed-sit in Erskineville. Having reached the age of eighteen when parental advice could be scornfully ignored I had no idea what "a good job" really meant. Hackneyed old cliches like "Don't make the same mistake your father did" may be sound advice but of little practical use. Auntie Millie did eventually pass on but the only thing she left under her floorboards was a couple of dead mice and a 1958 bus ticket. It is now of course many years later that I can look back and assess whether I landed in the right sand-pit.

After a short consideration of the merits and advantages of being an actuary I managed

to compile the following list of benefits:-

- Not having to get up before the sun does.
- My own office with Roy Lichtenstein mural (not an original).
- A high-backed swivel arm-chair that reclines and moves up and down.
- A bank statement with no red ink on it (not an immediate success story).
- The opportunity to fly around the world on the occasional mission.
- A PC on my desk with access to 720 Megabytes of memory.

Other people would no doubt produce a different list. Many actuaries would say that as a professional you would benefit from being an expert in your field which would offer you exciting and demanding work. Some might say that the nature of the work is very varied allowing you plenty of opportunity for self-development. Clearly there is an element of prestige of being part of a very exclusive group of professional people. The opportunity to actually make use of something you began learning at school (i.e. mathematics) is also a novelty.

Perhaps of some use might be an example of the work an actuary such as myself might do. It should be remembered that actuarial work varies enormously and this is only one area which you might become involved with.

Company X (purely hypothetical) is a life insurance office operating in Australia and it has a problem. The recent stock market crash devalued their assets by 25%. Policyholders are unhappy with recent reductions in bonus rates and are surrendering their policies with merry abandon. The company has a severe expense problem not helped by having just spent \$2.5m flying all their agents to Tahiti for a week's conference and sun-tan. Selling new policies is an expensive business, and they are forced by financial circumstances to restrict new business sales. The company's investment manager has just resigned as he wishes to "get away from it all", has shaved off all his hair and is off to Nepal to enrol in a Buddhist monastery. There are damaging allegations in the press that the company is close to insolvency. Morale amongst the employees is at an all time low and last week 60% of the staff phoned in sick (47% claiming food poisoning after eating oysters).

You have been employed by Company X on a strictly confidential basis to submit a report on the options available to the company to set it back on track. You have three weeks to prepare your report to the Board. It is very unlikely that there will be one course of action that will achieve everything you require, and it is your job to outline various strategies available and the consequences of each. You may decide that the company urgently requires additional capital to restore solvency levels and/or allow the writing of new business. If the company is a proprietary one, this could involve raising additional finance from shareholders, or arranging some financial reinsurance. They may be forced to consider placing themselves up for sale to another life company who would also benefit from such a move. You may be asked to prepare a short list of "suitable" life offices. The company may have got into difficulty from the high initial cost of new sales ("new business strain") and a longer term solution might require some product redesign to reduce this strain.

Determining the most appropriate action requires consideration of a substantial number of issues, which will be particular to the company under scrutiny. Recognising the important issues comes through professional training and experience. In real life there are not many fairy godmothers and finding practical solutions to problems one encounters is not a simple task. This is, however, one of the challenges of the actuarial profession.

In conclusion I should re-emphasise that there are almost as many different jobs for actuaries as there are stories in the Yellow Pages, but having said that, what really keeps me in the job is the money, status and power. What more could you want?

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"Of course there were still a few problems to be worked out: Einstein's salary, plus the matter of his associate, Walther Mayer. Einstein wanted \$3000 a year. "Could I live on less?" he asked Flexner. "You couldn't live on that," Flexner said."

from **Who Got Einstein's Office** by Ed Regis (Penguin, 1987).