**Different Shades of Actuaries**

*Opinion by Rodney Manzanga, Business Unit Head of Risk Management at Aon Hewitt*

*To the Eskimos, there are numerous types of snow; to the Maasai, numerous types of pastures. How about actuaries?*

Is an Actuary, an Actuary, an Actuary? Or are there different shades of actuaries? Just as there are different types of medical doctors, there are also different types of actuaries: life insurance, general insurance, investments, healthcare, risk management and so forth. The distinctions may seem to be curious little oddities, luxuries only afforded by those in peculiar situations, but they are driven by necessity. When stakes are high, discernment is essential and distinctions can mean the difference between success and failure.

While many people understand and appreciate the different specialities for doctors, for example, many are not even aware of the different actuarial specialties. In countries where the actuarial profession is nascent or non-existent, it is understandable why distinctions are not made, even if the differences are known. In such countries, regulators may allow qualified actuaries to ‘sign’ in multiple areas, but this should not be taken to be an endorsement for optimal arrangements. This seeming commoditisation of actuarial skills is necessitated by pragmatism: with a limited pool of actuarial resources and relatively simple risks, such countries ill-afford actuarial specialisation. Most growing economies, however, can ill-afford not differentiating actuaries’ specialties.

Actuaries undergo rigorous training that starts with the preparation of a broad and solid foundation and ends with specialisation. The broad foundation training covers all typical areas of practice, provides essential skills for traditional actuarial tasks and works well for uncomplicated cases. However, these essential skills are generally not adequate for more complicated cases. Consequently, it is best practice among leading international actuarial organisations and many jurisdictions to limit the areas in which an actuary can provide a service or opinion based on the actuary’s qualification(s) and experience. Actuaries, therefore, have different shades.

As companies drift from having a stable portfolio of traditional easy-to-understand, if not altogether banal, products to sophisticated products designed to satisfy today’s savvy consumer, their risk profiles are materially transformed by new risks. Management of these new risks exposure typically demand a more judicious approach and, more importantly, well-honed actuarial skills. Thus as companies metamorphose into complex modern enterprises, specialist actuaries can bridge the knowledge and experience gap and help them navigate the complexity of products, transactions, and resultant risk profiles. While just having an actuary helps, the added value is limited if there is a mismatch between the actuary’s specialisation and the required skills. Unfortunately, a lot of companies will be oblivious of this mismatch. Even worse, some companies seek actuaries primarily to appease regulators and regard the addition of stakeholder value as a secondary consideration.

Like doctors, actuaries are ‘fully baked’ in their areas of specialisation, but, out of pragmatism, ‘half-baked’ in other areas. Thus, to the discerning, there are many types of actuaries. While the skill sets are broadly similar, the contributions can be drastically different. Specialist actuaries, who do not necessarily charge more, bolster companies as they move away from their core competencies. As the complexity of products and company risk profile increases, companies cannot afford to use any actuary to do whatever work is available. Using the right actuary for the right task is prudent practice.

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**For more information:**

Deidre Beylis

Teresa Settas Communications

(011) 894 2767 or deidre@tscommunications.co.za

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