



The Actuarial Profession

making financial sense of the future

CILA II Seminar
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Actuarial resourcing – another bubble?

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Actuarial Resourcing – Another Bubble?

- Size of the market
- Salaries
- Bubble or real trend?
- Interim market
- Supply
- Attracting and retaining talent
- Getting the best out of your recruitment process

New Qualifiers

- **Important to Employers**
 - Enthusiastic
 - Flexible
 - Sound theoretical knowledge
 - Good IT skills
 - Hungry for challenge (and long hours)
- **Important to recruiters**
 - Ready and able for new challenges
 - High expectations for extra responsibility
 - Mobile
 - Around 40% will move to a new employer within 2 years of qualification

UK Qualifiers

	2007	2008	2009	2010
No. of qualifiers – all sectors	485	362	441	423

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Membership of the Actuarial Profession by sector 2009-10

	Fellows	Students	Other	TOTAL	<i>2007/8</i>	<i>Increase</i>
Life Insurance	3,285	2,138	232	5,655	4,800	18%
Pensions	2,919	1,641	174	4,734	4,241	12%
G.I.	1,145	1,075	118	2,338	1,729	35%
Other	2,809	5,600	490	8,899	8,365	6%
TOTAL	10,158	10,454	1,014	21,626	19,135	13%

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Salaries

Life actuaries – London/South-East	Salary range (£ 000's)
Graduate	28 to 33
Trainee: all CT exams plus 2 years' experience	40 to 45
Nearly-qualified: 4+ years' experience	60 to 70
Newly qualified	65 to 75 plus car
Qualified with 3 to 5 years' PQE	80 to 95 plus car

Source – Acumen Resources

Salaries

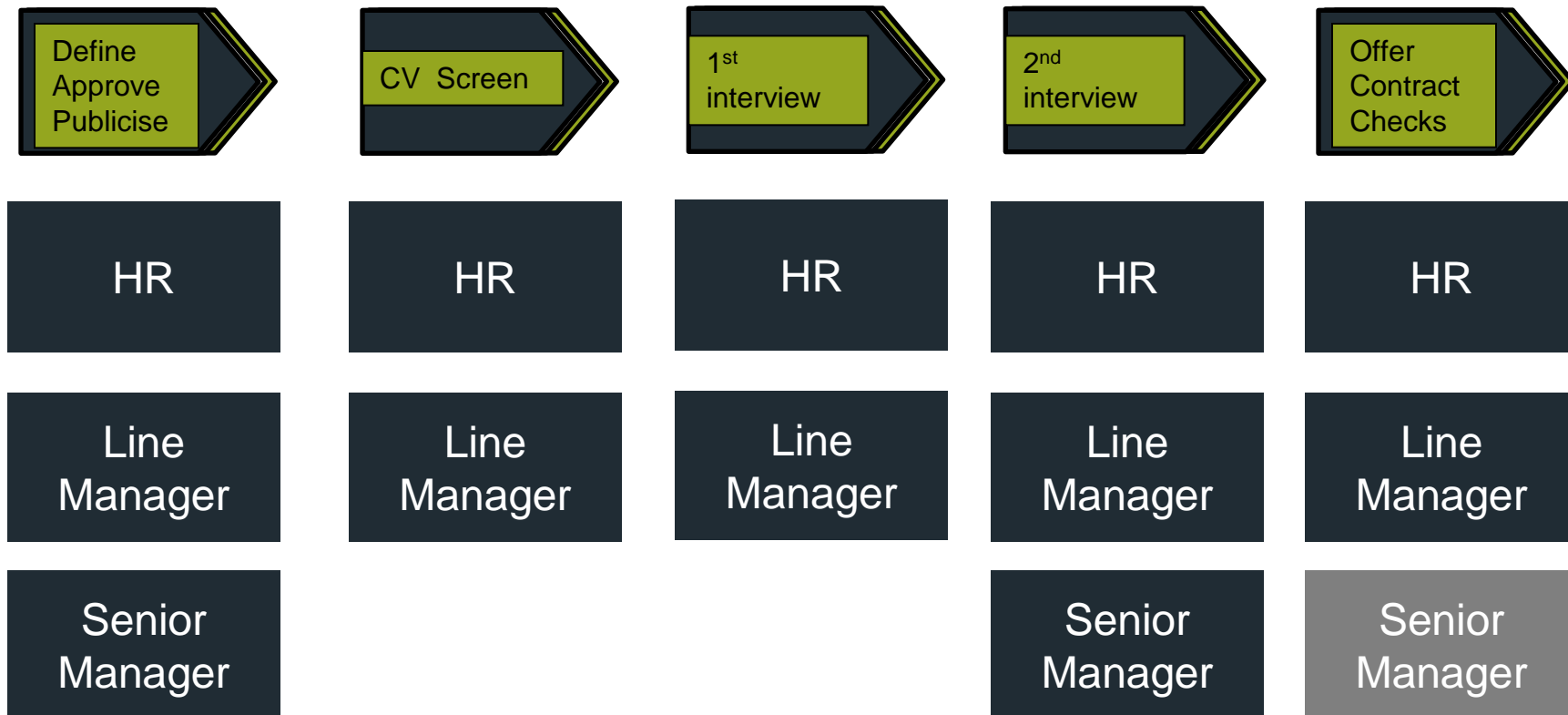
- Strong growth in actuarial salaries over the last 2 years
- Bubble or real trend? Does it matter?
 - Salary costs rarely go down for permanent staff so even a bubble has lasting effects
 - Interim staff costs will readjust if the bubble bursts – cash flow effect

What is the effect of increasing salaries in the market?

Your cost base goes up

- Improving terms to retain staff
- Costs of higher staff turnover
 - Rebasing to market rate for replacement staff
 - Rebasing to market rate for some existing staff
 - Recruitment costs (fees and time spent)
 - Non-productive time
 - Leaver
 - Joiner
 - Manager and other team members
 - Risk that hire will fail

Whose time is used in the recruitment process?



How much movement is there?

In the April 2009 exam sitting there were 219 UK Qualifiers
Sample of 77 tracked

	July 2009	New employer by September 2011	
Consulting	50	20	40%
Insurance/Reinsurance Companies	27	10	37%
TOTAL	77	30	39%

Source – Acumen Resources

Bubble? The evidence.

- Demand > supply
 - vacancies > candidates is the normal state
 - more marked in the last 12 to 18 months
 - Gap is largest in the nearly and recently qualified group
 - interim market expanding rapidly
- Strong salary and bonus growth
- Many new entrants
 - Growing profession
 - Increasing number of recruiters – around 70 recruitment consultants focussing on the actuarial market.

Does a series of bubbles make a trend?

- Where is the demand coming from?
 - SII
 - Finance Transformation Projects
 - Risk Management/ERM
 - Capital modelling
 - Longevity
- And in the future?
 - All of the above
 - SII aftermath
 - SIII
 - IFRS4 Phase 2
 - Test Achats implications

The impact on the interim market

- **Typical interim assignments**
 - Covering a peak in demand or project-related
 - Skilled specialist resource
 - Short term fix
 - Expensive
- **Current actuarial interim market**
 - Increasingly used for BAU roles
 - Openings for broader skill-sets, and the relatively inexperienced
 - Contracts usually 6 or 12 months; 1 or more renewals is the norm
 - Very high daily rates; bonuses getting more common.

Blurring of the line between the permanent and interim roles is encouraging more movement between the markets.

Interim Vs Permanent Hire cost – newly qualified

Permanent Hire		Cost p.a (£)
Base salary		70,000
Car allowance	10%	7,000
Bonus	12%	8,400
Pension	7%	4,900
Other benefits	2%	1,400
Employer NICs	13.8%	9,660
TOTAL		101,360

Interim Hire	(£)
Daily rate	800
No of days: 220	
Total excl VAT	176,000
VAT (20%)	35,200
TOTAL	211,200

The supply side of the equation

- **Market level**
 - Attracting new entrants to the profession/life sector
 - Education strategy – time to qualification, exemptions
 - Promoting the value of the Associate category of membership
 - Migration of actuaries from overseas - visas
- **Company level**
 - Talent retention
 - Attracting new talent
 - sell the opportunity
 - efficient recruitment process
 - Nurturing actuarial talent to make it more productive
 - “Grow your own”
 - promote internal transfers to actuarial track
 - offshore actuarial teams

Attracting and retaining actuarial talent

- **Money**
 - Financial reward is important to all employees
 - Don't wait until they tell you they are leaving to pay them what they deserve
 - Use bonuses to drive desired behaviour.
 - Be prepared to use the extremes of the bonus range. (Bonuses are cheaper than recruitment fees)
- **The good news – there are other important factors**
 - job satisfaction/challenge
 - career and personal development
 - study support
 - cultural fit
 - work/life balance
 - location, office hours, home working, part-time working, transport, gym ...

Getting the best out of your recruitment process

- Develop relationships with recruitment partners that are open and productive
- Define what the vacancy is and write it down
- Encourage line managers to speak to the recruiters about their role
- Put a timeframe on the recruitment process to prevent drift
- Make use of interviews via telephone and Skype
- Make every contact the candidate has with your company a positive one:
 - informative and appealing role description
 - well organised interviews and quick, useful feedback
 - On-going dialogue during offer and negotiations
- At final stage interview aim to have at least one back-up candidate.

The recruitment process – a final thought

A good recruitment process will mean you hire the right person who will add value to your organisation.

A poor recruitment process will hire you an idiot who costs you money and sleepless nights, while the good candidate joins a competitor.

Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

