



Central and Eastern Europe: an actuarial focus

By Charles Levy

I am Chief Actuary for the largest insurance company (both Non-Life and Life) on the Polish market, Secretary of the Polish Society of Actuaries, representative of Poland at Insurance Europe for Solvency II, member of the Supervisory Board of the reinsurance company Polish Re. This sounds normal for a Polish actuary but in fact it is not true because being a French citizen and French actuary I am currently holding these different responsibilities.

How did that situation happen and what did I learn from the insurance market in Poland and more generally in Central and Eastern Europe (CEE)?

Born in Paris I have been studying in Paris and living there for almost 50 years. Nevertheless my connection with Poland is lasting for almost 40 years. It started when I realized that I had a link with Poland as my great grandmother was born in a small village now situated in the South of Poland and then in the nineteenth century belonging to the Austro-Hungarian Empire. So still being a student I went to Poland for holidays and met my future wife there. Being married, instead of serving in the army for my military service, I became economical attaché at the French embassy in Warsaw. That was in 1980 and 1981, the years of the creation of Solidarity, so a fantastic time for a young guy as I was in those years.

At the end of 1981 we went back to France and I thought that my story with Poland was finished at least from a professional point of view. Nothing is stable and things change more quickly that you could imagine. In 1983 I developed the actuarial department of a French reinsurance company Compagnie Transcontinentale de Reassurance and in a few years became a member of the management of this company, which in those years was a nice achievement for a less than 30 years old actuary.

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In 1989 communism came to an end in Poland and a new dimension for my career started. At that time I was already an actuary having published

a few actuarial papers among others in the ASTIN Bulletin (one of them was devoted to the use of the Bühlmann-Straub credibility model for building the French fire tariff for industrial risks).

After the fall of communism in Poland and more generally in CEE I became active in these markets in two different ways. Firstly, my company then ranking 50th reinsurer in the world was the second more active reinsurer in Poland (after Swiss Re) as Munich Re, SCOR and others yet were not really active in CEE markets. Secondly, I became a lecturer on reinsurance in Moscow (Lomonosov University) and at the Actuarial Summer School of the Polish Society of Actuaries (for almost 10 years). In the meantime I was elected to the board of the IAA ASTIN Section and became for a few years Secretary of ASTIN. In 2000 I joined the reinsurance broker Guy Carpenter to develop their actuarial department. Working for Guy Carpenter I was still involved from a broker and actuarial perspective in the Polish market.

In 2005 PZU, the company number 1 on the Polish market (40 % market share both Life and Non-Life), proposed me a new position to become their Group actuary. In 2009 my position was cancelled but I decided to stay in Poland. Meanwhile I was elected Secretary (equivalent to Vice President) of the Polish Society of Actuaries (see below some ideas regarding the situation of actuaries in Poland and CEE). After leaving PZU I was invited for a few years by RGA, the life reinsurer, to become their actuarial consultant for CEE. In addition, I introduced the Fairfax group (Canada) to Poland and they bought Polish Re (a state owned reinsurer and some state owned companies as PZU) and after the sale to Fairfax kept my position as member of the Supervisory Board. I became the representative for CEE Greece and Turkey of one of the largest French actuarial consulting firms Addactis Worldwide (known in France as Actuaris) for selling their state of the art actuarial software for pricing reserving and modeling. Additionally in 2012 I was offered the position of adviser of the Board of the Polish Association of Insurers in charge of Solvency II. So as a French citizen I am representing the interests of Polish insurers at Insurance Europe in Brussels.

What is the situation of the actuaries in CEE and particularly in Poland?

CEE has 27 countries with a population of roughly 350 million people. But non-life premiums in CEE is lower than in France and life premiums equal to the collected premium in Belgium. The situation of actuaries is similar. Associations are young (less than 25 years old). The total number of actuaries in CEE is no more than 1200 (in France there are roughly 3 times more actuaries). Most companies (at least those of a large or medium size) belong to international (mainly) European groups. Exceptions are Poland (PZU) and the former USSR (excluding Baltic States). Belonging to the national actuarial association is not compulsory (for example in Poland almost 200 members on a total of more than 300 belong to the Polish Society of Actuaries). Standards and level of education still have to be upgraded. So there is a lot to be done but actuaries in CEE are on the right road and want to meet with the requirements of IAA and the Actuarial Association of Europe.

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To give an answer to the needs and the increased demand from Central and Eastern European countries for actuarial knowledge, the EAA (European Actuarial Academy) was founded in 2005 by the Actuarial Associations of Germany, Switzerland, Austria and the Netherlands. EAA is delivering on a very regular basis 2 days seminars on different actuarial topics. In the last 4 years almost 60 seminars have been organized in many different places in CEE. A small number of these seminars are also available online.

Actuarial associations on their own are active for providing education to their members. In addition to internal local lectures actuarial associations from the Baltic States are organizing the Baltic Summer Days. Poland is holding an actuarial summer school for more than 20 years. In Prague every Friday an actuarial lecture is delivered at the Karol University. Many other examples from other CEE actuarial societies could be given.

Overloaded

Although the mathematical background of actuaries in CEE is rather high you will not very often meet them in actuarial conferences for different reasons. They are overloaded with work, their companies are either poor (when not subsidiaries of international groups but then CEE actuaries attend rather in house international meetings) or their management is not convinced it is worth for the actuaries to attend such conferences. Nevertheless the quality of CEE actuaries makes me think that in the near future they will be more and more present in the international actuarial landscape.

Nevertheless you will find actuaries from CEE who are having or had in the recent past important positions within the IAA (Tarmo Koll from Estonia is the chairman of the IAA Advice and Assistance Committee which is supporting the development of the actuarial profession and actuarial education in areas of the world in which the actuarial profession is not present or is not fully developed) or the Actuarial Association of Europe (Gabor Hanak was the Chairman of AAE in 2012, then known as Groupe Consultatif).

Nowadays the situation has changed

As my career has been connected with reinsurance during the major part of it, let me say a few words about reinsurance in CEE. If in the nineties CEE companies were undercapitalized and needed large proportional cessions (as the famous Casco and MTPL PZU quota share amounting to more than 300 million Euros ceded to reinsurers) nowadays the situation has changed. Companies belonging to international insurance groups have internal cessions and regional reinsurance programs ceding less and less premium to reinsurers. Independent but smaller companies are not in a position to cede much premium. Instead they transfer a lot of catastrophe risks (for example earthquake exposure in Romania, Hungary and Bulgaria, flood exposure all over Central Europe). Ceded premium from CEE amounts to less than 1 200 million Euros so roughly 1% of the worldwide reinsurance premium.

Non-life reinsurance is the major part of it (more than 90%) as life reinsurance remains small. Because of the underdevelopment of the life insurance market the sums insured are quite low and for a large part of the business coming from savings insurance the need for capacity on a per risk or per event (catastrophe) is very remote. For example, on the Polish market PZU which 2014 has a 30% market share in life and even a higher share regarding protection insurance is buying less than 25 million Euros of capacity for a life catastrophe. Figures for ceded reinsurance (excluding intra-group transactions) are not available. Even for a large country as Russia Munich Re when writing about its fast development was giving just relative figures (percentage of increase of its reinsurance portfolio) avoiding any absolute amount. Reinsurers are getting some business by reinsuring some products they have been developing for the insurers as critical illness. Medical expenses insurance is still at a starting phase.

CEE in general even if it aggregates very different types of people is definitely a very nice region to live and work in and my sincere hope is that it will attract in the near future other actuaries coming from Western Europe or even further countries.