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**HOW MUCH
IS ENOUGH?**

BROADENING THE ROLE OF THE ACTUARY: HOW TO SUCCEED AS AN ACTUARY IN TODAY'S WORLD

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This article is based on a presentation made by the author at the Annual Meeting of the Actuarial Society of New York in September 2004. The example of the position inventory and complementary skills acquired is from the author's own professional experience.

In our actuarial world, there are many opportunities. Actuaries possess natural skills that are of the utmost need for today's business world. While the opportunities are abundant, actuaries are not always "top of mind" to most senior executives or placement firms in filling roles in emerging disciplines.

It is best to address the reasons for the failure of actuaries to secure these positions by examining three facets of this issue: What skills are required for the actuary of today, what opportunities exist for today's actuaries, and what processes should actuaries use to prepare themselves for the opportunities in today's world.

Skill Requirements

The skill requirements needed to succeed naturally follow from the strengths of the skill set required to be an actuary. It is best to address what is expected

of today's actuary by contrasting the skills that most actuaries use to those employers and businesses most need.

Analytical skills

Actuaries are naturally endowed with analytical skills that are honed through the examination process and the nature of work in their "apprenticeship." Those skills become more refined based on the nature of the assignment: its scope, its breadth and its financial impact. Actuaries are expected to have these skills, so whereas employers expect today's actuaries to possess these skills, analytical skills do not necessarily elevate an actuary's candidacy for a position over nonactuaries with similar analytical skills.

Technical skills

As a result of the intellectual rigor of the work done by an actuary, technical skills are developed quickly and are essential to the success of an insurance enterprise. For centuries, actuaries have been the custodians of financial integrity for millions of policyholders, pension plan members and taxpayers. Similarly, actuaries have guided decision makers in the management and strategy of insurance companies, management of large corporations who sponsor employee benefit plans and government officials who have created the social security systems that are prevalent in the developed world.

Financial acumen

While actuaries do understand their discipline with the utmost of certainty, it's clear many do not have financial acumen. From a conceptual perspective, many actuaries understand what makes their discipline tick, i.e., what are the risks inherent in a certain insurance policy, what are the long-term



consequences of funding certain employee benefit schemes and what implications do public policymakers need to consider in the development and maintenance of social security programs. On the other hand, these same actuaries are at a loss to read and comprehend a financial statement of another enterprise, outside their realm of expertise. The actuary of today needs to be financially literate and able to read the balance sheet of most financial institutions, to know how capital is measured and deployed, and to know what impact certain contingent events have on the financial stability of an enterprise.

Communication skills

The actuarial profession has gone to great lengths to improve the general impression of actuaries in the world. Massive publicity campaigns have underscored how actuaries add value (recall: Ask an Actuary). At the same time, little has gone to improving the skills that actuaries are expected to use to compete against other professionals possessing the three aforementioned skills (analytical, technical and financial acumen). These other professionals, usually possessing an MBA in finance or a law degree with a financial background, have been accustomed to getting the best jobs in investment banking, international finance, and mergers and acquisitions work.

What distinguishes this group from actuaries? Basically, it is the success that this group has in using verbal and written skills to their advantage. It is not only the presentation skills in which they excel; rather, they have much stronger skills in active listening, persuasion and negotiation.

The extroverted actuary of tomorrow has to do more than “just talk to his or her shoes,” this individual must have the ability to go “toe-to-toe” with the very best and show that actuaries have the ability to listen actively, persuade empathetically and negotiate in good faith.

Project management skills

Most actuaries learn project management very early in their careers—having to manage a study schedule and also a work schedule. The very best are able to do both with minimum difficulty as they are masters at managing time and processes. The challenge arises when the complexity of the task grows or more people are involved in the project. Actuaries can consider themselves to be great project managers once they can balance the

three key resources of any project: time, people and the underlying processes.

Business acumen

While actuaries know their discipline in more depth and precision than the layperson, there is always a challenge when the actuary comes face-to-face with the shrewd business person. For most actuaries, this happens when they meet a top sales producer or a leader of a significant brokerage operation. Actuaries need to stand on equal footing with these individuals; unfortunately, many actuaries make the mistake of feeling that the shrewd business person is at a disadvantage due to lack of analytical skills, formal education or accreditation. Reality is the actuary can learn much from the shrewd business person in becoming a more rounded business professional.

Actuaries should learn more about what constitutes a sale in their business, what processes sustain quality revenue and what the ongoing relationship between revenue, expense and income for their business is. In so doing, actuaries can begin to truly understand a business and develop the senior management and strategic skills required for leadership.

Opportunities

Provided that actuaries have been managing their skill development, there are a variety of positions available to them. Each different position in an actuary’s career is an excellent opportunity to learn. In the same way as examining the layers of skills that are required to succeed, the actuary’s possibilities for broader work are enhanced with more skills.

Basic opportunities

Actuaries can continue to fulfill their role as specialists in the assessment of the financial impact of contingent events and the soundness of financial security programs. Actuaries can be specialists in their field of expertise, team leaders in their discipline, marketing actuaries or high net worth sales representatives, financial actuaries working with the controller, investment specialist or consultants in their traditional field of work.

Intermediate opportunities

Building on the experience arising from basic opportunities and using the expertise gleaned from exercising the broader skills in communication, financial acumen and business acumen, an actuary is well placed to serve in a variety of capacities. The area of controller, senior market-

ing officer, senior actuary, senior investment actuary and senior consultant (perhaps partner in a consulting firm) are all within reach.

More importantly, developing opportunities in the areas of investment research, regulatory affairs, capital markets analysis, investment banking and brokerage are all distinct possibilities, assuming the actuary has the skills, aptitude and desire to go into one of these disciplines.

Advanced opportunities

With sufficient experience and mastery of all the aforementioned skills, actuaries are in a position to consider two possible tracks: senior management and leadership, or unique niche professional (or consulting) work.

In the former, the positions of chief marketing officer, chief actuary, chief financial officer, chief operating officer, chief executive officer and chairman of the board are distinct possibilities. To obtain these positions, an actuary needs to have the necessary experience and skill levels, and the proper network to create the right opportunities.

In the latter, senior positions such as rating agency analysts, sector equity analysts, regulatory leadership, enterprise risk management consultants, investment banking leaders, consulting firm leaders,

board members of financial institutions and nonexecutive chairmen of the board of financial institutions are well within the grasp of skilled and experienced actuaries.

Preparation processes

In looking for the next opportunity, it is always of benefit to do a candid self-assessment, with or without a seasoned professional, by doing a very objective analysis of one's own career. In this way, one can review one's successes, one's failures and one's missed opportunities.

The following is an example of a simple analysis, which is a position inventory matched with the skills acquired in the various positions:

- Position inventory => Skills acquired:
 - Specialist (Technical skills + depth in practice area);
 - Project Manager (Project + people management);
 - Systems Leader (Management of nonactuarial professionals);
 - Consultant (Time management);

- Marketing Actuary (Sales process + interpersonal skills);
- Controller (Financial acumen + sales compensation);
- Chief Actuary (Technical + actuarial management);
- Chief Operating Officer (Senior management skills);
- Chief Executive Officer (Leadership + strategic management skills);
- Chairman of the Board (Shareholder management + corporate governance).

With this information, the actuary can assess which skills still need to be developed and which skills can be used to meet the chosen opportunities. As well, the actuary can also address which skills need further honing.

Using an example, an actuary may see the communication skills he/she possesses are good, but more probing skills may be needed rather than using confrontation as a means to get to the bottom of a business problem. Another example would be people management skills, where the addition of empathy and feedback, as part of the regular communication of expectations, would supplement the ongoing regular performance management process.

Today's actuary needs to recognize that technical skills and analytical skills are "table stakes" required for competition. With candid self-assessment, an actuary will know which inherent strengths are possessed; and in so doing, choose how to play to those strengths. The actuary can then search out assignments that play to those strengths or allow for the development of some skills that are lacking. The actuary can also be aware of opportunities by staying abreast of industry developments through networking via professional associations or industry committees. In constantly assessing the environment, continuing to develop skills and experience, and pro actively searching for opportunity, the actuary can succeed in today's world of emerging opportunities.

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