



SOCIETY OF ACTUARIES

Article from:

The Actuary Magazine

October/November 2013 – Volume 10, Issue 5

Editorial

GUTS

BY TIMOTHY PARIS

The implementation of a principle-based approach to reserves and capital for life and annuities

The completion of two longevity risk transfer deals worth more than \$30 billion

Multiple reinsurers making competitive quotes for an unexpected and financially viable growth opportunity that stretches their expertise

Public speaking and idea proposals to an audience of international experts

Successfully launching a new business, marketing strategy and risk management technique

This is a list of recent and current activities large and small, some worth billions and others with no monetary value at all. Some involving the world's largest companies and others just a handful of people interacting at a personal level. What unites this disparate list? As a participant or interested observer to each one, I can tell you that they share one remarkable

trait—actuaries with a lot of guts played an essential role.

Are you shocked, or at least skeptical? As actuaries, we are often very good at the role of rational skeptic; it is our heritage. Surely we have all committed to heart the SOA's motto "The work of science is to substitute facts for appearances and demonstrations for impressions" by John Ruskin. As a group, I would posit that we are much less accustomed to thinking of ourselves, or having others think of us, as visionaries, provocateurs, linchpins, or "we are going through that wall" leader types.

Perhaps I am in the minority, but this is my aspiration. I am quite sure that I fall short more often than I would care to admit, but as I stand here, with the benefit of 20 years of actuarial, financial, marketing and leadership roles behind me, I feel that all of these experiences, good and bad, have led me to realize how powerful the role of the actuary can be.

It has little to do with the usual criteria in the career surveys. In terms of safety, comfort, compensation and perks, it's tough to beat

an actuary. The whiff of hot asphalt still transports me back to simpler times when I was paving roads on summer break from college, tan with a full head of hair and without a care in the world. Fun in my mind's eye, but I wouldn't want to make a living doing that now. I'll take the creature comforts of the actuary any day. But it goes way deeper than that.

It is a recognition, mainly in the insurance business but gradually expanding more broadly, that as actuaries we are uniquely qualified by both training and mandate to lead initiatives that require an intelligent assessment of financial risk. There was a time when many actuaries did this rather quietly, perhaps by withholding or granting their sign-off on product pricing, reserves or capital under canned algorithms—leadership through quality control.

Nowadays, safe harbors are receding into history, to the extent that they ever really existed. Adherence to canned processes is no longer a badge of honor, but an admission of blind spots. As one example, the transition to a principle-based approach for reserves and capital for life and annuities

CONTINUED ON PAGE 08



Timothy Paris

is just such an admission, and the fact that it is such a long process only indicates how massive a change it is. But this is a good thing—actuaries are leading the way into the new era, just as we led in the old one. We are raising the bar for ourselves and our industry, and the same goes for the other activities in the list above.

But we must be warned: Actuaries moving beyond their traditional core of insurance and pensions to broader risk management roles means that we face more competition—with sharp minds and talons. So we had better stay very serious about initial and continuing education, not to perpetuate the status quo or a credential, but for the sake of our own survival.

Relating these trends back to a personal level, we must embrace these opportunities for change and growth, to fully utilize and stretch our capabilities as actuaries and business leaders. Times of financial upheaval and change present tremendous

opportunities for actuaries, if we just look for them and have the guts to tackle them. To borrow from Seth Godin, author of *The Icarus Deception* and many other excellent books: “Pick yourself.” If you’re not willing to pick yourself to do something important, then why should anyone else pick you?

As actuaries, often with a reputation for introspection, it is vitally important that we develop the self-confidence and poise to articulate a value proposition for ourselves and our ideas at a personal level, not just generically as “an actuary,” however strong that label may be. The objective isn’t merely shameless self-promotion or financial gain, but to use our unique set of skills for the greater good. We should continue to seek clarity and technical accuracy, but also to create and be bold, and be our best possible selves.

As a relentless critic of myself and others, I am slowly learning that nothing in this world is perfect. Not me, not you, not the

regulations, not our work, and not our latest and greatest idea. So we need to not sit on the sidelines waiting for the perfect circumstance, but to get in there and make things happen. Pick up the phone. Get on the plane. Have the difficult meeting. Take a stand. Don’t dither. We need to do our best guided by the law and our code, learn from our mistakes, collaborate when it makes sense, and get on with it.

We live in interesting times that are volatile and confusing, but that creates great opportunities in the business of managing risks. As actuaries, we are well equipped for success, but we’ve got to have guts. **A**

Timothy Paris, FSA, MAAA, is chief executive officer for Ruark Insurance Advisors, Inc. He can be reached at timothyparis@ruarkonline.com.

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

Publication Title, The Actuary; Publication Number, 022-627; Filing Date, 10/01/2013; Issue Frequency, Bi-monthly; Number of Issues Published Annually, Six; Annual Subscription Price, \$22 students, \$43 N.A. nonmembers, \$64.50 Int’l nonmembers; Complete Mailing Address of Known Office of Publication, Society of Actuaries, 475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173; Contact Person, Jacqué Kirkwood; Phone Number, (847) 706-3572; Complete Mailing Address of Headquarters or General Business Office of Publisher, Society of Actuaries, 475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173; Full Names and Complete Mailing Addresses of Publisher, Editor and Managing Editor, Publisher, Karen Perry,

475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173, Editor, Jacqué Kirkwood, 475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173, Managing Editor, Cheré LaRose, 475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173; Owner, Society of Actuaries, 475 N. Martingale Rd., Suite 600, Schaumburg, Ill, 60173; Known Bondholders, Mortgagees and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities, None; Tax Status, Has Not Changed during Preceding 12 Months; Publication Title, The Actuary; Issue Date for Circulation Date Below, October 2013; Extent and Nature of Circulation, Total Number of Copies, 24,762; Paid/Requested Outside-County Mail Subscriptions Stated

on Form 3541, 24,762; Paid In-County Subscriptions, 0; Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Non-USPS Paid Distribution, 0; Other Classes Mailed Through USPS, 0; Total Paid and/or Requested Circulation, 24,762; Free Distribution by Mail, 0; Outside-county as Stated on Form 3541, 0; In-County as Stated on Form 3541, 0; Other Classes Mailed Through the USPS, 0; Free Distribution Outside the Mail, 0; Total Free Distribution, 0; Total Distribution, 24,762; Copies Not Distributed, 0; Total, 24,762; Percent Paid and/or Requested Circulation, 100 percent. Publication required. Will be printed in the October/November 2013 issue of this publication.