



# THE INDEPENDENT CONSULTANT



Share

Print-Friendly  
NewsletterSearch  
Back issues

## CONTENTS

### [Issue Notes from the Editor](#)

by Bill Ely

### [From the Chairperson—It's the Summer of 2010 ...](#)

by Larry Stern

### [Consulting Actuaries: Professionals and Entrepreneurs](#)

by Jay M. Jaffe

### [Information Technology—A Double-Edged Sword](#)

by Andrew Chan

### [Insurance Solutions: Why Customizing Is Crucial](#)

by Jim Mooradian  
and Bryan Lambert

### [The Potential Impact of President Obama's Financial Regulatory Reform on Start-Up Companies](#)

by Michael Baker

### [ERM Executive Compensation](#)

by Nian-Chih Yang

### [VOTE! SOA 2010 Elections Open. Let Your Voice Be Heard.](#)

### [Are You Prepared for CPD](#)



## Consulting Actuaries: Professionals and Entrepreneurs

by Jay M. Jaffe

At the IAA Cape Town, South Africa meeting in March, 2010 the International Association of Consulting Actuaries (IACA) sponsored a panel entitled "Consulting Actuaries: Professionals and Entrepreneurs." The panelists included Barry Childs and Arthur Els from South Africa; Nick Dexter from the United Kingdom, and Jay Jaffe from the United States, as well as a contribution from Jacque Friedland of Canada.

Not only were the panelists from several different countries, but they represented multiple fields of consulting work (pensions, health, P&C and life), but they also represented one person, medium-sized and very large actuarial consulting practices.

This article is a compilation of their presentations and comments during the Q&A period. It is intended both as a very brief recap of the session, as well as a forum for helping consulting actuaries discuss some of the issues they face. It is probably comforting to know that consulting actuaries the world over have similar concerns and issues.

The panelists were all concerned that consulting actuaries wear two hats: professionals and entrepreneurs. In fact, it is typical that these two roles are part of every consulting actuary's employment, regardless of whether they are just providing consulting services or managing the entire firm.

The dilemma for many consulting actuaries is to find the right blend of being a business person and a professional. There is no single solution that fits every individual and every firm's needs, but it is vital for consulting actuaries to at least understand their dual roles if they are to successfully balance being both professionals and entrepreneurs.

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[Koppel to Speak at SOA 2010](#)

[Annual Meeting & Exhibit](#)

## ENTREPRENEURIAL ACTUARIES SECTION

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[Newsletter](#)

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[Member Benefits](#)

Following are some of the thoughts presented by the panel:

## The Panel's Comments

### *Do the Right Thing*

Consulting actuaries need to be conscious of "doing the right thing." In many instances doing the right thing is obvious, but in others it may be necessary to consult with peers or other professionals before making a decision.

One of the roles of senior consulting actuaries is to mentor others. Therefore, keeping the door open for conversation among consulting actuaries (whether within a firm or among firms) is extremely important.

### *Ethics and Reputation*

In the long run, the only things that consulting actuaries have to sell are their ethics and reputation. Both of these attributes should be of paramount importance to any consulting actuary, whether considering the professional or entrepreneurial aspects of being a consulting actuary.

While much of the time situations can be black or white, there are going to be numerous times when this is not the case and value judgments will have to be made. Nowadays most consulting actuaries have guidance from the actuarial organizations to which we belong; but there will be occasions when it is necessary to make tough decisions even when there is no right or wrong answer. In these cases, first and foremost, a consulting actuary should do what he or she feels is correct even though there may be some "wiggle room."

### *Conflicts of Interest*

Consulting actuaries need to consider both actual and perceived conflicts of interest. Again, there may be situations that may or may not be clear cut. Each firm will have a different method for dealing with these situations. In larger firms, the process for identifying and resolving conflicts of interest is probably more formalized than in small firms.

### *Community Participation*

Consulting actuaries will benefit from a sense of community involvement. All of the panelists have participated in community activities. Not only is participation in your community good citizenship, but it is also good business because you can make new contacts and have an influence in nonactuarial activities.

Some consulting firms sponsor community work, whereas in other firms the choice and level of community activity or volunteering is an individual responsibility.

### *Learn to Play Golf*

Not every consulting actuary plays golf. One of the panelists offered the

suggestion that learning to play golf or, at least, finding one or more similar networking activities, is important for consulting actuaries because it is a good way to meet new people and socialize in a less-structured atmosphere.

#### *Innovation*

Much of entrepreneurship is the result of innovation. Consulting actuaries are a goldmine of ideas. The trick is to turn these ideas into practical and profitable activities.

A great deal of innovation comes from contact with others. Having contact not only with other actuaries, but with people from other fields, definitely helps to keep the creative juices flowing. Applying game theory, operations research and other behavioral techniques to problems facing actuaries may produce better solutions to problems. Similarly, learning from the masters of other business subjects can also be a way to develop innovative solutions to actuarial and related business problems.

#### *Tangential Extension*

One of the more common approaches for developing entrepreneurial areas of activity for consulting actuaries is to extend their practices into areas that are tangential to their main areas of work. For example, doing retirement plan administration could be a logical extension of a pension practice. Another example is creating software in a field where a firm has expertise.

Even though tangential expansion is probably the more likely route for certain entrepreneurial activities, consulting actuaries should not ignore more expansive opportunities. However, when venturing into completely new fields, any business opportunity should consider all the implications and risks associated with this activity, including how to acquire the relevant skills and knowledge, capital needs, time to market, etc.

#### *Management Skills*

Regardless of what size firm in which a consulting actuary practices, there will be a need for management skills. Of course, the type of project will dictate the management skills needed, but the panelists all commented on the relationship between having this talent and success as a consulting actuary.

Sometimes the need is to manage a project team. At other times having the talent to communicate and manage clients is paramount. While in other situations, being able to work with other professionals (including opposing professionals) will make a large difference in a consulting actuary's ability to deliver a quality work product.

#### *Communication Skills*

It is axiomatic but worth mentioning that communication and presentation skills always will be an important factor in a consulting actuary's success. The ability to write and speak clearly and concisely continue to be major skills which should be at the top of the list of nontechnical skills honed by consulting actuaries.

#### *Employee Dissatisfaction*

As consulting actuaries build businesses, it is inevitable that there will be situations in which employees—particularly other professional employees or partners—express dissatisfaction with their positions. This is, in part, a natural consequence of success. As a consulting actuary, you are likely to have had multiple employers and you should expect many of your staff to have the same ambitions as you had. It may be that your employees with the most potential are the ones that turn out to be the most mobile and willing to express their feelings to you.

In a few cases, employee dissatisfaction may even deteriorate beyond cordial relationships. If a consulting practice is operational for an extended period of time, it is likely that sooner or later it will encounter this type of issue. While it is happening it will be an unpleasant situation, but be prepared for these events to occur and learn to deal with them as you would with any other business matter. Just remember that these problems will eventually be resolved and your business will return to normal.

#### **And, Finally ...**

Consulting actuaries are both professionals and entrepreneurs. These dual roles can be and are assumed by each of us who elects to venture into the world of consulting. In some cases we're self employed and work by ourselves, whereas other consulting actuaries are parts of very large firms. No matter our place of employment, we share the problems, opportunities and satisfactions which result from the variety of our work and the satisfaction of founding, operating or growing businesses. In some situations, we find that our interests become wider than the actuarial profession and we become both innovators and entrepreneurs.

But regardless of our specialties and interests, we act as both professionals and entrepreneurs. We have common concerns and problems. Hopefully, this short article will stimulate other actuarial programs to include forums for consulting actuaries to meet and converse about our environment.

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