



SOCIETY OF ACTUARIES

Article from:

Risks & Rewards

August 2012 – Issue 60



NON-TRADITIONAL ACTUARY: CARL HESS

By Risks & Rewards

Traditionally, actuaries have tended to follow one of two career paths. Either they worked for insurance companies helping to design insurance and annuity products that met the needs of policy holders, or they worked for consulting firms which helped companies design and administer their own employee benefit plans.

But increasingly, actuaries are finding some “non-traditional” sources of employment. To help shine a spotlight on some of these careers, from time to time R&R plans to include a featured interview with an actuary working in a non-traditional area. The interview for this issue is with Carl Hess, the New York-based head of Towers Watson’s global investment business. The interview was completed in May 2012.

HOW DID YOU FIRST LEARN ABOUT THE ACTUARIAL PROFESSION?

Mathematics was an interest of mine in high school. I first learned about the actuarial profession when I sat for the national mathematics exam sponsored by the Society of Actuaries. I scored well enough on that exam to win an invitation to a dinner put on by the Chicago Actuarial Society. After that (or despite of that!), the actuarial profession was on my radar screen.

WHERE, AND WHEN, DID YOU GO TO COLLEGE? WHAT DEGREE OR DEGREES DID YOU EARN?

I graduated from Yale University in 1983 with a Bachelor’s degree in logic. My primary academic areas of study included mathematics, philosophy and linguistics.

WHAT WAS YOUR FIRST JOB OUT OF COLLEGE?

My first job after graduating from college turned out to be pizza delivery! This is not to say that pizza delivery was designed to be a permanent job. But not long afterward (you can only survive on slices of pizza for so long) I worked with a professional recruiter who suggested that I pursue a position either in computer programming or that I should

consider becoming an actuary. At this time, the primary career choices were either working with an insurance company or taking a position with a consulting actuarial firm. My dinner with the Chicago Actuarial Society paid off. Because of that dinner I actually knew what an actuary was. The idea of becoming a consulting actuary also sounded sexy, or at least sexier than working for an insurance company. The professional recruiter set up a round of interviews with consulting firms, and fairly soon I landed a job as an actuarial assistant with the consulting firm of A. S. Hansen. A. S. Hansen was later acquired by Mercer Consulting.

WHERE WERE ANY OTHER JOBS BETWEEN YOUR FIRST JOB AND YOUR CURRENT POSITION?

I left A. S. Hansen in order to take a position as the in-house actuary for Amalgamated Life Insurance Company, a third party administrator for multiemployer plans. It was at Amalgamated where I met the future Mrs. Hess. We both agreed that it would be best if one of us would find a job outside of Amalgamated Life Insurance Company. It turned out that the person who would be seeking a new position would be me. I took a job with Mercer Consulting in 1987. This position lasted two years and from there I went to The Wyatt Company to accept a position as pension actuary. This initial position later led to new positions involving fulltime work in asset liability modeling and the company’s growing investment consulting business. I have stayed with The Wyatt Company through a number of mergers and acquisitions. The last of these was the 2010 merger with Towers Perrin to form Towers Watson.

WHAT ARE SOME OF THE MORE FREQUENT TASKS WITH YOUR CURRENT POSITION?

There is actually quite an interesting mix of tasks. Of course there is my day job as the head of the global investment consulting business and the various managerial responsibilities that come with this position. But even with the managerial responsibilities, I continue to work with clients. This is great as I really enjoy the clients, and it always helps

me to see the issues from their perspective. Lastly, I spend a fair amount of time with public speaking, working with journalists, and writing articles for publication.

WHAT ARE SOME OF THE TASKS THAT YOU FIND MOST ENJOYABLE?

Given the global financial developments over the last four or five years, I enjoy the intellectual challenge of addressing risk, and not just investment risk. Client portfolios are so much more complicated, and we are dealing with not just stocks and bonds, but private equity, hedge funds, commodities, hedging strategies—the list goes on and on. The regulatory environment is much more challenging. I also like building and testing models, including ALM models, but there's not much time for that now. I also enjoy expressing and defending ideas that surface as part of our thought leadership efforts.

WHAT KIND OF SKILLS HELPED YOU MOST IN THE FINANCIAL CRISIS? TECHNICAL EXPERTISE? COMMON SENSE?

Technical skills were important but perhaps not as much as common sense, as we were all in uncharted waters. Communication was another essential skill in helping clients who were sometimes panicked and needed to know what to do—and what that was might change quickly. It was also important to synthesize a lot of information—something that good actuaries do routinely, I might add.

ARE THERE SOME TASKS ASSOCIATED WITH YOUR CURRENT POSITION THAT YOU FIND LESS APPEALING?

My current responsibilities naturally lead to participation in a large number of meetings. To be quite honest, I do not particularly enjoy meetings—especially all-day meetings. I'm not really good with these types of events—I get itchy!

ARE THERE ANY CONCERNS THAT YOU SEE WORKING IN A "NON-TRADITIONAL"

AREA, GIVEN THAT YOU ARE WORKING FROM FOR A FIRM THAT HAS GENERALLY BEEN CONSIDERED TO BE TYPICAL ACTUARIAL EMPLOYER?

Towers Watson is one of the world's largest actuarial consultants. In addition, it happens to own one of the world's largest investment consultancies, so you might say we're working in an actuary-friendly environment. For the investment side of our business, we find that asset/liability management (most asset pools we work with are managed against some sort of liability or desired set of outflows) demands actuarial talent working in combination with experienced asset managers, economists and other professionals. Hence, for me, the types of concerns that might impact another actuary working in a "non-traditional" role have just not been an issue at all.

ARE THERE SOME CREATIVE SOLUTIONS TO PROBLEMS THAT YOU HAVE HANDLED IN YOUR CURRENT POSITION?

Many of our solutions may be more dynamic, not just creative. I'm reminded of the quote attributed to Keynes, "When the facts change, I change my mind. What do you do, sir?" So we keep a close eye on the myriad financial and economic factors that will affect our clients and attempt to be proactive in helping them deal with changing investment conditions. For example, we have a research team—the Thinking Ahead Group—that works hard to live up to its name. Our ability to anticipate risks and change is part of our strength as a business. We have introduced a number of different elements into our clients' investment strategies, including new asset classes and better benchmarks.

It also happens that the investment consulting business faces enormous competition for talent, so we have worked hard to create an intellectual challenge for our employees and a collegial work environment.

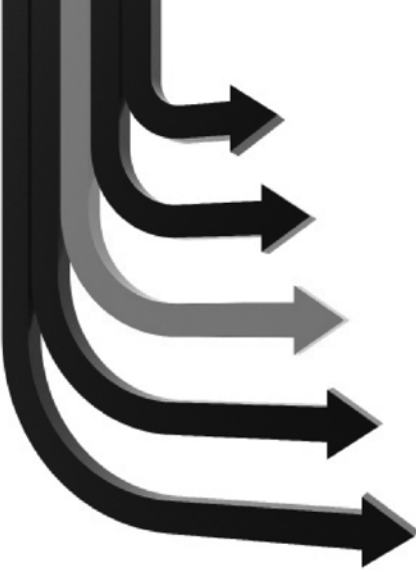
DO YOU TRAVEL MUCH? ARE THERE ANY CITIES THAT YOU PARTICULARLY ENJOY?

CONTINUED ON **PAGE 24**

Given my global responsibilities, I travel a lot—probably 250,000+ miles a year—so it is a good thing I like a variety of environments and cultures. I love to run, so I prefer interesting cities that also have interesting runs. San Francisco is great. London has a lot of good places to run, say along the Thames or the Regents Canal. Denver’s Cherry Creek trail is also fun. And few places beat the physical challenge of running in Hong Kong (heat, pollution and the Peak).

DO YOU HAVE ANY “WORDS OF WISDOM” THAT YOU MIGHT OFFER TO ACTUARIES WHO MIGHT BE CONSIDERING A CAREER OUTSIDE THE TRADITIONAL INSURANCE COMPANY OR CONSULTING FIRM?

I have two thoughts. First, I encourage actuaries to work on “soft” skills. Effective communication is the most important one that I can think of. Learn to speak and write well. Listen very well. Second, recognize that actuarial skill sets are important outside the actuarial reservation. These skills are valuable to society and will be most effective when they are used as a part of an open model that includes the talents of other professionals. 📌



Economic Scenario Generators: Prelude to the Equity-Based Insurance Guarantees Conference

Nov. 11
Chicago, IL

Get an overview of topics to be covered in the Equity-Based Insurance Guarantees Conference, and dive deeper into economic scenario generators (ESGs). Learn how ESG models are applied in practice for various objectives (e.g., hedging, pricing and reserving—among others).

Equity-Based Insurance Guarantees Conference

Nov. 12-13
Chicago, IL

This seminar is designed to give professionals with limited-to-moderate experience an understanding of how to better quantify, monitor and manage the risks underlying the VA and EIA products.

Learn more at SOA.org