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Managing Actuarial Function in a Small Insurance Company in the United States and Canada

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The Smaller Insurance Company Section put on a webinar with this title in August 2015. In this article I will summarize the key takeaways.

STRATEGIES FOR MANAGING SCARCE RESOURCES

When the actuarial team at a company is small, it is critical to cross-train. This is challenging to accomplish due to time constraints, especially when there is staff turnover, but it is great to have the flexibility to assign tasks to more than one person on the team. This helps the team be more productive. Another key is documentation, which is invaluable all the time, but especially when there is staff turnover. Using the documentation as a training manual when there is new staff works very well.

It is also critical to constantly refine and automate processes. There needs to be a constant focus on looking for efficiencies. At the beginning of each new task:

- Step back and consider how to automate.
- Brainstorm as to how the new task could fit into an existing process.

Along a similar vein, it is important to constantly re-engineer processes. This is automation but also adding controls and instilling the culture where two sets of eyes need to review every task.

Sometimes it is appropriate to make a case for additional staff. Often you can make a more persuasive case if the actuarial team makes a good impression on management, and the lead actuary is a team player who has good relationships with other company leadership.

If a full-time person can't be justified, consider hiring an intern or sharing a team member with another department.

The interns I have hired recently have had excellent computer skills, and have been tremendously helpful in re-engineering projects.



RETAINING STAFF

Another key strategy for managing scarce resources is retaining staff. While cross-training and documentation make it easier during staff turnover, what is even easier is not having staff turnover!

To retain staff, I suggest:

- Give them challenging work that is important to the company's success.
- Tell them often they are making a difference.
- Keep them in the loop on everything possible.
- Take a huge interest in developing them, having frequent conversations where you talk and brainstorm about their future.
- Bottom line: Create a culture where they love their job!

To do this, there needs to be a constant emphasis on long-term productivity. Every interaction with your team is a coaching opportunity.

If team members love the small company culture and see the advantages of a small company, where it is easier to see the difference they are making, they may even come back after moving to a large company that they thought provided greener pastures.

WORKING THROUGH STAFFING CHANGES/ SUCCESSION PLANNING

When there is a change, the first thing to do is to step back and re-evaluate everything. A knee-jerk reaction where a new person is hired with the same responsibilities that the person leaving had is very rarely the right answer. Step back and list all the tasks that the team does. Start with a blank sheet of paper, and divide up the tasks in the way that makes the most sense. It is often an opportunity to provide greater challenges to the team members who remain. It is usually best to split up the responsibilities of the person leaving.

When there is a sudden change in staff, it is often best practice to use consultants. There are times also when another department can help. It may also be inevitable that projects get pushed back. Depending on the position, it may make sense to have a consultant provide support to a new person until the new person has been in place for some period of time, such as a year.

When team members leave, in my experience the best thing they can do is stop working on everything and document, document, document! In the long run this will pay off, although there will definitely be some short-term pain with this.

BEST PRACTICES IN USING CONSULTANTS

Have a philosophy in place for using consultants. Are they used due to knowledge gaps or resource gaps? I often use consultants to set certain pricing assumptions (e.g., mortality and lapse), but I do the rest of the pricing myself.

It is practical to work with a consultant that uses the same software that you do. Often, it is helpful in the long run for the consultant to teach your team. One way to transfer knowledge from consultant to team is to give responsibility for documentation to your team.

If you find consultants that fit well with your company, they may get to know you well enough that they provide “extra value”

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when you use them. Developing a relationship with the consultant is key. If a staff member had an emergency, this consultant could swoop in and get up to speed quickly.

CLOSING COMMENTS

There is never a dull moment in a small company actuary’s life. The job entails a large number of varied tasks:

- People manager
- Member of management team
- High-level work
- Nitty-gritty work
- Non-actuarial responsibilities

Unexpected events occur frequently. There is a real opportunity to influence decision-making and make a huge difference in a company’s success.

There were Canadian and U.S. small company actuaries involved in the webinar. It was remarkable how similar the philosophies were! ■



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