



SOCIETY OF ACTUARIES

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Through the Looking Glass

by Daniel L. Shinnick

This summer, I celebrated 20 years as an actuary. Being a good actuary, I now have enough data points in the past to allow me to predict the future.

What was it like 20 years ago?

Travel back with me to 1984 ... yes, I used to have a lot more hair.

There were many insurance companies to choose to work for. One of the reasons I chose the company I did was because I got to share a computer with only three other people. About 25 percent of large insurance company CEOs were actuaries. Traditional life insurance was king with the new kid on the block—"universal life"—beginning the revolution. Every major employer seemed to have defined benefit plans, only the little guys had defined contribution plans. Interest rates were very high; I remember a "discussion" with a marketing officer who wanted to have a minimum guarantee of 6 percent for our fixed annuities, "because earned rates will never fall below 8 percent." Luckily, the actuaries won that "discussion." Many companies offered health and disability insurance as side lines.

Life was good if you were an actuary (voted the #1 career shortly after I started working)—high pay, low stress, opportunities for advancement and interesting work.

What has changed?

The impact of technology cannot be overstated. Work once only actuaries could do, can now be done by anyone with a \$50 calculator. We can now run thousands of scenarios in minutes; we can price the options in our products to the 12th decimal place. We design complex products because we can. We can send e-mails to the person sitting next to us so we don't have to talk to them. We can protect our companies from risk because we can identify it. We can help our companies become more competitive and profitable because we can understand our profit drivers. Customer-driven products are now a reality because systems can handle them. The way we use technology determines whether its impact has been good or bad.

The pace of change has accelerated beyond our wildest dreams/nightmares. Changes in the competitive landscape happened overnight. We must quickly make decisions without perfect information. Comfort with ambiguity is a major competency for successful business people. In my opinion, this is the biggest change for actuaries. We've been taught our whole life that there is a correct answer, and if you do enough analysis, you can find it. We no longer have that luxury—we must be able to make decisions with less than perfect data.

For most of us, the primary product(s) our company sells has changed drastically over the last 20 years. With regulatory changes, technology improvements and the aging of America, our companies have expanded into investment products, banking and advice. Distribution and manufacturing of products has been separated at many companies. The sources of profitability have changed drastically over the last 20 years. Our business is much more volatile. The skills I developed in college and taking actuarial exams (yes they were much harder then) are much less relevant. But the ability to learn and to apply analytical skill is still very valuable.

We are seeing more competition from non-insurers. Globalization is a fact of life. The industry is shrinking. All three of these factors create a tendency that actuaries are less valuable. We're no longer automatically seen as the expert trained specifically to solve our industry's problems—because our industry is now a subset of the broader financial services industry. As individuals, we need to be able to demonstrate that we add value and can solve our companies' problems.

What hasn't changed?

The world has changed a lot, but we have not been left behind. There is still a need for analytical skills and the ability to translate from technical knowledge to business impact. Actuaries still have a role in protecting their companies from risk, helping them find new ways to be profitable and competitive and making sound business decisions.



Chairperson

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are out of work or are soon to be identified as redundant. These are the people who can benefit most immediately by developing some or all of the skills noted in the previous paragraph.

My primary direction in coaching will be to focus on actuaries who want to upgrade their business savvy skills, either inside or outside their current career.

Looking Forward

"The greatest good you can do for another is not just share your riches, but to reveal to him his own."

—Benjamin Disraeli

Coaching is a relatively new profession, but it already has a rich literature dedicated to the

most effective methodologies to move people to greater levels of growth and fulfillment in their lives. In the co-active coaching model that I have described, it is interesting that each coach/client relationship is customized to that client's needs—reminiscent of a universal life approach.

The coach's challenge is to bring their coaching toolkit, as well as their own life skills, to bear on each situation in order to help the client. This leads to my newly updated mission statement:

"To help actuaries and others achieve greater levels of career and personal satisfaction." □

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Ethical behavior is still critical. The complexity of the financial services industry can make it easier to take advantage of the consumer or the shareholder. Actuaries still have a role to protect the shareholder and the consumer.

Our work is still very interesting. Using our skills to solve a wide variety of business problems is fun!

What will the future look like?

Given the direction of interest rates over the last 20 years, I'm predicting that in 2011, interest rates will range between minus 5 percent and plus 25 percent.

In addition to that, I expect the pace of change to continue to accelerate. We will be challenged to keep up with the change and to increase our comfort with ambiguity.

The retirement of the baby boomers will change the world in ways we can't imagine. This will have a tremendous social and economic impact. Will retirement, as we know it, go away? Will the stock market crash and interest rates plummet as the baby boomers move their money to more conservative investments? Will retirement and health systems crumble under their weight? I don't know ... but actuaries will be key players in meeting these challenges. □