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Actuaries Respond to Profession's Call for Improved Communication

by Catherine Konsky, Ph.D.

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In the midst of the activity and glitter of Times Square, one group of actuaries devoted an entire SOA meeting one morning to developing their communication knowledge and skills. The workshop titled, "Actuaries can Communicate," was designed to identify ways to communicate more effectively as an actuary, to develop individual communication competence and to practice communication skills central to the work of an actuary.

Workshop presenters Catherine Konsky and Krzysztof Ostaszewski began the session with a springboard: Why is actuarial communication such a challenge? This complex question led to a discussion of the fact that while actuaries receive extensive education in quantitative skills, they often work with people who receive a much lower level of quantitative education. In addition, communication among actuaries means explanation of a model, its applicability and calculations. However, this is not perceived as communication by their clients. Herein lies an important gap.

Incorporating the rich rhetorical tradition from the time of Aristotle as well as present day social science research, the workshop offered four key communication principles:

- You cannot not communicate.
- Every communication has a content and a relationship dimension.
- Meanings are in people.
- Intention and perception are rarely the same.

Part 1 of the workshop focused on audience analysis. An assessment of audience receptivity is possible, even on the spur of the moment. Using an aviation metaphor, audience receptivity can be high or characterized by a quick takeoff, smooth flight and flawless landing by the

actuary. Medium audience receptivity might include a routine takeoff, adjustments required during the flight and assistance in landing by the actuary. Low audience receptivity signals a delayed takeoff, flight plan adjustments and a bumpy landing for the actuary. Each level of receptivity requires different communication choices by the actuary because even technical solutions lose their impact if not communicated effectively to the particular audience.

Part 2 included a presentation on role playing, "Actuary in the Hot Seat." The drama encouraged visualizing the actuary as someone who sees himself/herself as a decision maker who builds a solid case for what should be done in the situation. Recognizing that the hot seat is inevitable can help prepare actuaries to deal with pressures created when they find themselves in the middle, trying to serve two (or more) masters.

Part 3 encouraged actuaries to think of themselves as a force in their company — by their presence, their style and the way they communicate. Securing buy-in for actuaries requires showing how conclusions were reached and leaving the audience with unmistakable evidence of the benefits of the actuary's conclusion. Credibility, power, goal setting and persuasiveness are important elements in assuming a leadership role — maybe as the boss.

Each workshop participant took away a 15-point laminated "Actuaries Can Communicate" card with the following specific steps to take in communicating at work. In the future, an actuary's influence within a company is likely to increase as they continue to develop their communication skills and their business savvy.

Actuaries should:

- Analyze the audience ahead of time. Know thy audience!
- Empathize with the listeners. Feel their pain! Especially if they don't know any math!



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- Get the listeners' attention. Wake them up!
- Present a clear message. Keep them awake.
- Rely on words, not formulas. Speak words, not the math artillery!
- Use examples for explanation. No proofs, just tell stories!
- Avoid getting lost in the details. Tell them about the forest; there will be time for trees and leaves later.
- Avoid relying on jargon. What does that GAAP mean?
- Encourage questions from listeners. If one person has a question, there are 10 other people are too afraid to ask the same question.
- Frame issues to show your reasoning. Your thinking counts!
- Build a case for what should be done. You can and should recommend a decision!
- Be assertive, not passive. With all that math power, why not be the boss?
- Reaffirm your working relationship with listeners. Be a member of the team!
- Demonstrate your business savvy. Know your business!
- Use communication to set yourself apart. How do non-actuaries spot a good actuary? It's the one who communicates! □

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As the discussion progressed, I explained what product features and structure were expensive. A single set of YRT rates had to be adequate to cover the expected mortality of newly underwritten lives, as well as lives underwritten many years ago. Marketing and sales was able to narrow the issue age range of the new product to mitigate this problem. The privilege to convert a term policy to permanent insurance without underwriting was also expensive. Marketing and sales was able to more specifically define and shorten the number of years for the conversion privilege that this target market required. To a stranger, the parameters of the new product looked a bit strange, but it suited the target need very well.

The resulting sales were favorable and the product profitability was acceptable. Each side was able to empathize with the needs and constraints of the other, the winning outcome was the product that was needed and the discussion took place without any confrontational grandstanding by either side.

When I represented a major insurance distributor, I was often called upon to negotiate arrangements with major insurance company manufacturers. Having been a manufacturer in the past, I was able to empathize with the insurance company. The process needed a negotiator to accomplish what was to both parties' benefit — the establishment of a manufacturing/distribution relationship that was satisfactory to

both sides. It was important not to insert another individual ego into the process. My historical knowledge of and relationship with many of the individuals on both sides of the table helped me facilitate what can sometimes become an acrimonious discussion.

My current situation as a reinsurance intermediary requires me to develop, structure and negotiate reinsurance capacity between a ceding company and the reinsurer. I deal in situations where reinsurance is not readily available. It is critical to empathize with both the ceding company and the reinsurer — determine what core risks the ceding company desires coverage for and discover what reinsurer desires or objections need to be satisfied. My prepared knowledge of the reinsurance community provides a strong starting point. Then all parties must enter into a willing and open discussion to find the sweet spot that matches the desires and goals of both sides. The important winners are the ceding company and the reinsurer, not the intermediary.

Pay attention to these tactics, and you may well find that negotiating becomes more of a science than an art. □

