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Observations from the Nonprofit Sector: A Roundtable Interview with Actuaries Working at Nonprofit Organizations

By Jennie McGinnis

Note: The views expressed in this article are those of the interviewees and do not necessarily reflect those of their employers.

While preparing the Chair's Corner article in the last issue of this newsletter I had the opportunity to hear from a number of actuaries working at the Society of Actuaries (SOA) regarding their thoughts about working at a nonprofit organization. Those conversations led me to pursue this article, which explores what it's like to be an actuary working at various nonprofits, each with its own mission and client base. Three esteemed actuaries agreed to share their experiences and what they've learned in taking on roles outside of the for-profit sector.

Sharon Giffen is the CFO of Foresters, a Canadian-based, multinational Fraternal Benefit Society (FBS). She has been with the organization for 11 years, starting in the pricing area, becoming chief actuary in 2006, and being appointed to her current role in 2009, in which she has accountability for actuarial, finance, investments, capital management, business intelligence, internal audit and risk management. With over 30 years of experience in the life insurance industry, she has worked for a variety of insurance organizations – large and small, stock and mutual – with over 20 of those years in marketing and product development roles in Canada and the United States.

FBSs are a unique form of organization; not quite a mutual since the members don't "own" the surplus and certainly not a stock company with shareholders. They are governed by their members with the goal of fulfilling the mission of the organization. Simply put, the business of a FBS is to sell insurance, at a profit, and deploy that profit in the execution of the mission.

Steve Goss has been chief actuary at the Social Security Administration since 2001. He joined the Office of the Chief Actuary in 1973 after graduating from the University of Virginia with a master's degree in mathematics. He graduated from the University of Pennsylvania in 1971 with a bachelor's degree majoring



in mathematics and economics. He has worked in areas related to health insurance and long-term-care insurance as well as pension, disability, and survivor protection.

Sara Teppema has been the health staff fellow at the SOA since 2009. She has over 20 years of experience in health care consulting, primarily to employers but also to managed care plans, providers and government entities. Immediately prior to her current role she worked at Hewitt, helping large employers achieve the highest value for their employee health care plan dollar.

Which skills have proven useful throughout your career?

Sharon: Assuming that technical skills are the "price of admission", I have valued getting training, both in the classroom and on the job, for management and communication skills. Additionally, I had the benefit of some training in influencing and negotiating. All of these can be summed up by saying "listening skills". I believe

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one of the best things I learned many years ago is to be curious - when you think you understand, ask five more questions. Either you will discover that you didn't really understand, or you will have a broader, deeper understanding of the issue.

Steve: Agreed. Everyone who becomes an actuary has good analytical skills and these are essential. But listening and being open to new ideas and ways of approaching things is critical. In addition, recognizing when a new idea or approach is an improvement and adds to the product is important. Change for the sake of change with no net gain is not useful, and can even be wasteful.

Sara: Effective meeting facilitation, presentation skills, listening skills, negotiation skills, persistence and the ability to spot a good idea and bring it to fruition are all things that also have been useful to me.

Which skills have proven particularly useful in your current position?

Sara: When I came to the SOA, I was surprised at how much I used my client service skills. I think of SOA members as my clients, and try to apply "the client comes first" in what I do. I also seem to write a lot in my current role. Additionally, the ability to spot a good idea and be persistent in order to make it come to life is a skill that I didn't know I had, yet have found useful and also very satisfying.

Steve: Communication. Making a point as succinctly as possible, and yet clearly is perhaps more an art than a skill. To Sara's point, having a great idea is wonderful, but it is of no use unless you can convey it. There is an old principle that if everyone in the room has the same

information and is thinking logically, then agreement will be easy. It is not always that simple, but striving for complete understanding and logical thinking can at least help uncover any true differences in values that might get in the way of agreement. This then helps set up the basis for compromising the hopefully few areas of difference.

An equally important skill or practice is to be prepared, as the Boy Scouts say. This means making sure you know the topic two or three levels deeper than is likely to come up in discussion. This helps you to feel confident in any discussion and to be effective and helpful in the development of ideas and decisions.

Sharon: Big picture, integrated thinking – the issues that I face today are multi-faceted and complex. Historically, my method of dealing with an issue is to work a bit longer or harder and I could always get the job done. Now, there is very rarely a right or wrong answer and no amount of additional analysis is going to make the answer clearer. We are always balancing the many conflicting priorities of our various objectives. Needless to say, multi-tasking is also critical – with the breadth of my mandate, I find myself switching gears among diverse topics frequently.

What similarities have you experienced between your current work and any prior 'for profit' work?

Steve: Clear thinking, effective communication, and a positive constructive attitude are universally important. Every job comes with relatively clear goals and objectives, both near term and long term. Knowing these and staying focused is important to getting the job done and being successful.

Sara: The ability to concisely convey and report information is very important, and this skill definitely translated from consulting to my work at the SOA. Client service skills are important everywhere: putting the client first, reliably getting things done well and on time, communication (and sometimes over-communication),

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and problem solving are all useful skills in every sector.

What are the key differences between your current work and any prior ‘for profit’ work?

Sharon: At an FBS, we have the whole additional dynamic of the membership and the “business” of generating volunteerism – and what does that mean for the pricing of products or setting of reserves and cash flow testing? This is perhaps due more so to the fact that I am in the “corporate” office. Our divisional actuaries would see even less difference to working in a commercial company, as they don’t need to deal with the fraternal side of the equation to the same extent.

Steve: Working as an actuary in the federal government means we directly serve the administration and both sides of the aisle in Congress. Therefore, unlike working for a single company, we serve many masters all at once, often on the same issue. Maintaining objectivity and the ability to shift gears in working to help different people with entirely different goals find a path to their respective objectives is critical. This results in a level of independence that is unusual but essential. Fortunately, politicians understand this and come to value objectivity and the opportunity to get a straight unvarnished opinion.

What was your largest surprise moving into ‘non-profit’ work?

Sara: I wasn’t sure what to expect, but I remember when I first started, thinking “everyone is just as smart and just

as wonderful as my old job, but they wear more comfortable shoes.”

Seriously, the biggest surprise was that my role was relatively flexible, and I was able to make the role my own, and craft it to fit my skills and my impression of the necessary goals.

Steve: How hard people work and how motivated they are. When people see an objective they can feel committed to and have the support of co-workers in a positive friendly atmosphere it is remarkable how much you can get done. Without the pressure to make a profit, it is a little easier to maintain focus on quality and objectivity. There also seems to be a little better opportunity for more in-depth analysis, which always pays dividends.

Sharon: How strongly I identified with the mission of Foresters – our purpose (mission) is for healthy families and children’s health – and I do not have children. It is impossible to think anything but that family is extremely important – and our purpose encompasses family in its broadest sense – so I can identify with my siblings and their children as my family.

In follow up to Stephen’s comment, what is your response to those who have the impression that without profit as a driver those working at non-profits have minimal incentive to control expenses, meet deadlines, etc.?

Sharon: Quite the contrary! Employees of an FBS are always conscious that every dollar spent means less funding to fulfill the mission of the organization. Expense constraints are every bit as real as for any company watching their stock price – and we have no readily available source to raise additional capital, so the obligation to not waste can be the difference between solvency and insolvency. Additionally, we have the obligation to keep up-to-date with regulatory changes – in all three of our jurisdictions, including some rather unique require-

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ments for FBSs. Layer over that the ongoing need to explain to regulators, the rating agencies and the public what makes us different and what is the same as in a commercial insurer, and it is clear that this is no cushy place to be.

Sara: In the case of the SOA, we are motivated by serving our members, and my experience with SOA staff is that everyone works very hard to do that as efficiently as possible. As one of the actuaries on staff, I am also a member of the SOA, so I try to be a particularly careful steward of SOA member resources. Also, sometimes a profit-based motivation can get in the way of long term planning and investment, and I think the SOA is able to be forward-thinking and invest in areas that will be important to our members now and down the road.

Steve: I think most realize that in the current environment, both private nonprofit and government entities are so strapped for money that controlling expenses is not an issue. In addition to being nonprofit, government and private nonprofit organizations lack the competitive pressures of the marketplace to produce the most appealing product at the lowest price, to maximize profit. But because government and private nonprofits generally provide their services at no direct cost (on the margin), demand is infinitely high. This produces enormous pressure to produce a lot, as fast and efficiently as possible. We all want to satisfy our customers as best we can. I think it is fair to say that there is no shortage of oversight and pressure to produce in the government and private nonprofit sector, particularly for actuaries.

What would you say is the biggest contributing factor to having the position you hold today?

Sara: Rather suddenly, I realized I wanted to get out of the corporate world and thought it would be great if I could find something in the nonprofit sector. I heard the position was open and called a friend who worked at the SOA. Within days I had an interview scheduled! So, key contributing factors were a change of pace, and knowing who to talk to (networking).

Sharon: Somewhat similarly, I would say curiosity. I always have wanted to understand more and to be involved more broadly than the narrow definition of my role, whatever that is. I have never been afraid to delve into other areas, first to understand, then to offer ideas and suggestions. Of course, it is always important to ensure that the recipient of such ideas is open to them!

An important second factor is courage. I have made many career decisions where my rationale was not necessarily obvious to friends and colleagues – I have taken a number of nontraditional roles for actuaries, within the insurance business (e.g. underwriter and product wholesaler) and made some moves within the actuarial realm. I have welcomed the opportunity to try new skills – on the job (off the deep-end sometimes!) is the best classroom ever.

Steve: Luck most likely. But to a great degree perhaps balance both in abilities and goals. We have all seen folks who are brilliant technically but have a very hard time communicating. And we have seen the reverse. Being good enough in both of these areas is essential to become any kind of leader. Beyond that, genuinely caring about the work you do, the people you work with, and the people you work for make a difference. And these things show. Positive attitude, enthusiasm and cooperation can be infectious. If you do not enjoy what you are doing or do not care about the outcome you are unlikely to do well.

What do you wish you'd known before taking your current position or before moving into non-profit work?

Sharon: Nothing really – I guess I like surprises! Just having completed my second year as CFO, I am learning that much of my job is to be an advisor to my colleagues – it might have been good to know that without having to discover it!

Steve: There is the old saying that “the fun is in the going”. Learning along the way has been fun and I am not sure I would change a thing. Perhaps the one thing I wish I had more fully understood early on is the importance of trying to boil down possibly complex topics into the simplest possible terms. Throwing around a lot of acronyms or talking in terms that your audience or colleagues are not familiar with is counterproductive and will diminish rather than enhance your value to others. I think most intuitively understand this, but keeping this constantly in mind is very important.

Sara: Since I’ve been a member of the SOA for 18 years, I had a pretty good sense of the association and its needs and goals in the health care area. That said, a nonprofit association is a different animal than a consulting firm, and it took a while to understand how to navigate the organization. I don’t think an organization’s culture is something you can learn in advance; similar to the other responses, you just need to “learn as you do”.

To close, what would you advise someone seeking to follow in your footsteps?

Sharon: First, I’ll comment on moving into an FBS; if you have something of an altruistic streak and want a very meaningful reason to go to work each day, then the fraternal industry is a great place to exercise your professional talents. I feel fortunate to work for a relatively large fraternal with multi-national reach. On the other hand, some of the smaller organizations offer the additional benefit (if you so see it) of working in an environment where the team is very small and you can get exposed to all of the issues that face any insurance actuary.

With respect to moving out of a strictly actuarial role into the broader finance role, do your best to get exposure to all aspects of the insurance business – and more than just superficially. It is extremely easy to talk to someone in another discipline and think you could do their job, or give them suggestions; it is harder when you walk a mile in their shoes.

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Sara: I like to say that actuaries can do anything if they are willing to learn and step out of their comfort zone. That comfort zone might be the level of management responsibility, it might be compensation, or it might be taking career risks or business decision risks. As in any situation, if you have a particular goal in mind, you should research as much as you can, set interim goals to help you get there, and network as much as possible along the way to learn from others.

Steve: Work hard and treat your coworkers like family. Never take a negative attitude by others personally. Some of your best business relationships will come from engaging others who may have been initially antagonistic, but who ultimately appreciate constructively engaging on areas of difference. Never ever forget that “it is amazing how much you can get done if you do not worry about who gets the credit.” If you are positive, constructive and useful you will be recognized and rewarded in the end likely even more than is appropriate. ☆



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