



SOCIETY OF ACTUARIES

Article from:

# Actuary of the Future

Passing the Torch Series

# PASSING THE TORCH: AN INTERVIEW WITH MICHAEL FRANK

By Cassie He and Kabeer Jhaveri

**Cassie He** and **Kabeer Jhaveri** invite Michael Frank to kindly share with us his professional experience and views on the actuarial profession. Michael is the founder and president of Aquarius Capital. He is a health, accident and life actuary with 24 years of experience, is an active participant in the insurance industry, and participates on various National Association of Insurance Commissioners (NAIC) and actuarial industry task forces.

**KABEER:**

Michael, can you run us through why you chose actuarial science as a career?

**MICHAEL:**

I found the actuarial profession by accident. I had changed my major several times and decided to be a math major since that was my best subject. In my junior year at the University of Michigan, I enrolled in a course called Business Mathematics and Insurance (Interest Theory) since I thought it would be a good course to take before I went out to the work force. The school assigned me an advisor—Donald Jones, a professor who was also an actuary. I thought that the career was interesting because it gave me an opportunity to use my math and finance background. That summer, I obtained an internship at Mercer, and upon graduation, took a full-time actuarial position at Prudential Life Insurance Company. That year Prudential hired five students from our program.

**KABEER:**

Would you recommend students nowadays to do a degree in Actuarial Science? Or would you recommend something more generic, such as Statistics or Computer Science?

**MICHAEL:**

A lot of it is going to be very individually based. If you're very interested in the mathematical side and the financial side, actuarial science is not a bad route. When you're a college student, if you eventually decide that you do not want to be an actuary, what you'll learn will



*Michael L. Frank, ASA, FCA, MAAA, CHE, is the founder and president of Aquarius Capital. He is a health, accident and life actuary with 24 years of experience, is an active participant in the insurance industry, and participates on various National Association of Insurance Commissioners (NAIC) and actuarial industry task forces. He can be reached at Michael.Frank@AquariusCapital.com.*

still be very transferrable. When I graduated college 25 years ago, few people knew what an actuary was. The training as an actuary will definitely help you in other businesses.

**CASSIE:**

What are some of the greatest challenges you've faced as an actuary, and can you share some of your key take-aways from these challenges?

**MICHAEL:**

I think one of the biggest challenges actuaries face is “getting a seat at the table” with their companies’ senior management team (specifically to insurance companies), because actuaries are usually known for delivering bad news, i.e., the results aren’t as good as one might have expected. A challenge is getting the senior management to “buy in” that the results you are providing are reasonable. You are balancing “are results accurate” and using communication skills to help non-actuaries be comfortable with results. Many times actuaries will need to be good communicators, which they are not known for.

A big challenge that actuaries face is to be able to communicate financial results, good and bad news, and being able to explain it so that senior management can accept it and strategize as a result.

**KABEER:**

If you could go back in time and change one thing with respect to your career, what would it be?

**MICHAEL:**

That's a good question. I don't know. I like this profession, and I think I still would have pursued it. The profession has given me a lot of benefits, and I was able to gravitate toward a direction for my own personal growth without a lot of boundaries. I currently work as a life and health actuary, but my projects have been more than just actuarial science. I'm doing underwriting, brokering and intermediary work, and working with a variety of clients as well as practice management consulting to insurance companies building and reviewing their business plans. I'm not sure what I would change, and I don't know if there's anything I would change.

I also have had the opportunity to broaden my profession by also working as a teacher. For example, I am an adjunct professor at Columbia University teaching health actuarial science; plus I work as an instructor for the SOA LEARN program, teaching reinsurance to insurance regulators. I recently taught a course on reinsurance in the Dominican Republic, so I have had the opportunity to meet a lot of people in business and have unique experiences that some other professions may not provide.

**CASSIE:**

What do you think actuaries in general do well, and where do you think we have room for extra growth?

**MICHAEL:**

Actuaries are good in analysis, and are not afraid to deal with complexity of numbers (financial statements and data), and situations that they present. Where they falter is in the communications area, and in recognizing that not everyone with whom actuaries deal is technically strong enough to understand the work product that actuaries have created, and therefore to see the full value of what an actuary does.

Actuaries are also very supportive to other actuaries in business, which I have rarely seen in other professions. As an example, when I formed my company 11 years ago, I received a lot of support and positive feedback from fellow actuaries. The profession encourages volunteerism and continuing education (now a requirement), so you find that the profession encourages educational growth.

**CASSIE:**

Is there anything in particular that you think we can do to improve on our communication skills, or in getting to the broader world to know more about actuaries?

**MICHAEL:**

Actuaries have to focus on their communication skills. They have to be able to communicate well in the language they're doing business in, and be able to explain the key aspects of their results. That way, anyone reviewing their work will see the value.

I suggest that actuaries get more involved in public speaking, which could be through volunteerism or joining committees, or do something outside their own norm, such as join Toastmasters or even do something like be in a play or comedy show whereby you are outside your element.

In the class that I taught last year at Columbia, we had exams to test students on their technical ability, but their final exam was having them teach a class for 30 minutes based on the subject matter and research that they did (e.g., 42 students taught a class discussing health care systems in 11 countries). It was a successful process with positive feedback from the students while taking them out of their comfort zones. I would like to see the profession move in that direction.

**KABEER:**

What are some changes that are imminent within the profession, and how do you see these changes impacting the profession?

**MICHAEL:**

One of the changes is the communication skills and the softer skills. Actuaries need to be better communicators. Actuaries also need to recognize that even though we may have the most technical skills, we may not always be the smartest person in the room.

I think one of the biggest challenges the profession faces is the compression in entry-level jobs. I think the profession needs to create more entry-level jobs because five to 10 years from now, we won't have a sufficient number of the next generation of actuaries. When I joined the profession, I worked for a company that hired 20 to 25 new students each year. Now, most companies hire a fraction of that. We have a much smaller demand (still higher than most professions) but a much larger supply. The industry is going to be challenged five to 10 years from now because there won't be enough people to carry on the profession, because the companies are not investing in bringing people in.

**CASSIE:**

If you can challenge or change one stereotype or public opinion about the profession, what would it be?

**MICHAEL:**

It would be the communication aspect and the fact that actuaries do not have good communication skills. A close second would be having our profession expand beyond insurance and employee/retirement benefits.

**CASSIE:**

And that's something that we have to change.

**MICHAEL:**

We definitely need to change that. We also need to market ourselves as a profession much better, and attract

more people interested in being finance majors, rather than immediately being "quants" or Wall Street/investment banking bound.

The industry also needs to create more entry-level positions. I recently attended the career fair hosted by the Actuarial Society of Greater New York (ASNY) and Columbia University. Over 500 college students (various universities through the United States) and career changers attended this event in January. Clearly the demand is high. At the event, 17 employers participated, which is also high. Unfortunately, of the 500+ students, maybe 30 to 50 of them tops will gain employment, meaning that we will see less than a 10 percent job placement ratio. As attractive as this profession is, the ability to obtain employment is a challenge.

**CASSIE:**

Basically growing the profession so that it is attractive to new people, and at the same time making sure that there are enough positions for these new people.

**MICHAEL:**

Exactly.

**KABEER:**

In your opinion, what can the SOA do better in the development of ASAs and FSAs?

**MICHAEL:**

A number of things: Number one, they need to have a consistent message, and that consistent message might be, "What is the objective of the organization?" The message somewhat changes each year as a new president takes over the organization. I recognize that being president of a large organization has challenges (I served as president of ASNY in 2011 and one year was a long year), but we need to develop a consistent message with focus on the following: (1) expanding outside insurance; (2) new entrants; and (3) communications.



*Cassie Minyu He is a senior student studying Actuarial Science at the University of Waterloo. She can be reached at [cassie.minyu.he@gmail.com](mailto:cassie.minyu.he@gmail.com).*



*Kabeer Jhaveri is an actuarial assistant at MetLife in Wilmington, Del. He can be reached at [kabeerjhaveri@hotmail.com](mailto:kabeerjhaveri@hotmail.com).*

I think there definitely needs to be an energy and focus on expanding the profession beyond insurance, since actuaries are known for being insurance experts only. The SOA is taking some steps toward that with the ERM and CERA designation, but I think the profession needs to think much broader than that. One thing is that they need to expand the applicability of actuarial science outside of insurance. Another is that they need to develop a consistent vision so that the future presidents and executive communities can come in and further that growth.

**KABEER:**

And what do you think will create this change? Would it be just to incorporate a few more sections in the exams?

**MICHAEL:**

I think before looking at the exams, they should first settle on a focus and direction, and then create the education.

**CASSIE:**

What advice would you give for students still taking the SOA exams right now on balancing work and exams?

**MICHAEL:**

You need to do a good job at work. You need to put the time down to study. Everyone's timeline is very different with regard to how much information they can grasp. I would recommend that try to pass as many as you can,

as fast as you can. As you grow older, there may be more personal distractions (e.g., work responsibility, family obligations, and more need for work/life balance that is easier to accomplish when you are young). Many of these distractions make it difficult to pass exams. For example, the more work experience and responsibilities you have, the harder it is to take study time to write (and pass) exams. Then again, many of the students coming into the profession today are much smarter than I was.

**KABEER:**

Out of curiosity, what is the value added to the company for a student to pass an exam while working with the company? Why are companies so willing to invest in helping students pass exams?

**MICHAEL:**

Generally, the companies want you to reach your credentials, so that you have both the ability to sign financial statements and be very credible. Also, the company may want you to learn about the company on the job while you're working on your exams. It's about building experience relevant to a specific company and having credentials to sign financial statements or make business decisions.

**KABEER:**

What would you be if you weren't an actuary?

**MICHAEL:**

I would probably be working in the investment banking space or be a financial analyst or a quant. ☆