



SOCIETY OF ACTUARIES

Article from:

# Actuary of the Future

April 2013 – Issue 34

# PASSING THE TORCH: AN INTERVIEW WITH MARK FREEDMAN

By Cassie He and Linda Liu

**Cassie He** and **Linda Liu** had the honor to invite Mark Freedman to share with us his professional experience and insightful views on the actuarial profession.

**LINDA:**

How did you get to where you are now? Can you briefly run us through your career history?

**MARK:**

I grew up in the Philadelphia area and majored in math at the University of Pennsylvania. My father always wanted me to join him in his electrical supply business, and my mom did not care what I did, as long as I stayed in the Philadelphia area. One summer in high school, my dad enticed an electrician, who was his customer, into hiring me as an electrician's helper. I had no interest or aptitude in this type of work, so after a few weeks of watching how bad I was at it, the electrician fired me. The straw that broke the camel's back was when I forgot to put his ladder into his truck from a job that was over 25 miles away.

I knew I wanted to do something with my math degree, but I did not know what. My dad realized that my passions were different from his, so he got the idea of the actuarial profession after talking to his insurance agent. This agent introduced me to an actuary, who sold the actuarial career to me by explaining how the career is a good mix between math and business, and I would progress by passing actuarial exams.

As a junior, I took a few exams at school. It never crossed my mind in those days to consider working as an actuarial intern in the summer. My job in the summer of my junior year was to collect tickets from people entering a Fun House on an amusement pier in Atlantic City.

After I graduated, I applied for jobs. Even though I knew I was somewhat introverted, I was interested in consulting, because I liked the idea of working on a variety of projects and working with different clients. Of course, I wouldn't have had anything to consult about, since I knew nothing, but it sounded like fun. I didn't get a



*Mark J. Freedman, FSA, MAAA, is president-elect at the Society of Actuaries (SOA), who currently works as a principal of Ernst & Young, one of the "Big Four" accounting firms with a large actuarial consulting practice. He can be reached at [mark.freedman@ey.com](mailto:mark.freedman@ey.com).*

consulting offer, but both Philadelphia Life Insurance Company and a property-casualty insurer offered me a job. I took the life insurance job, mainly because there were more people there who were my age, even though the other job was for another \$1,200 per year. On a side note, the person who referred me to Philadelphia Life was my college roommate's father, and interestingly, my college roommate's son, Rob Barg, works with me today as an FSA at Ernst & Young.

Philadelphia Life was a small insurer, so I had an opportunity to work on just about everything during my five-year tenure there. I did life and health product development, statutory and GAAP valuation, annual statement work, and even became an enrolled actuary and signed off on their customers' small pension plans.

Mark Golab, an actuary I worked with at Philadelphia Life, left for another insurer and I kept in touch with him. He referred me to a co-worker, Jack Ladley, who had just left Mark's new company for Huggins, a small insurance and pension consulting firm in Philadelphia. I was still interested in consulting, so I jumped when they offered me a job as a consulting actuary on the life insurance side of things. I've been there ever since in a way. Saatchi and Saatchi, an advertising firm in the United Kingdom, bought Hay, Huggins' parent. They sold the life insurance actuarial practice to Ernst & Whinney, an accounting firm with a lot of insurance clients, so we fit

CONTINUED ON PAGE 2

in extremely well. Ernst & Whinney merged with Arthur Young and became Ernst & Young and that's where I am today.

After a short time at Huggins, I started volunteering by writing and speaking. I enjoyed the challenge and I always felt good about helping the profession. Eventually, Barry Shemin from Hancock, who was the Financial Reporting Section Council chair, coaxed me into running for that section council. When I was on the council, Mike McLaughlin, my colleague at Ernst & Young back then, mentored me into how I could ultimately become chair of that council. This worked and I became their chair. Around this time, I also became a co-author of the SOA book on Generally Accepted Accounting Principles (GAAP) for Life Insurers. Anyway, fast forward all of this a bit more and here I am.

I am very grateful that my employer always encouraged volunteering, and I'm especially grateful that they're allowing me to do what I'm doing now for the SOA.

**CASSIE:**

As an industry leader—a principal of Ernst & Young and president-elect of the SOA, you have been involved in a broad span of actuarial work. What do you enjoy the most about the actuarial career?

**MARK:**

I've enjoyed too many things in my career to just pick one.

In my early career, I enjoyed the technical work and analysis the most. Since the day I started consulting, I found that my favorite and most challenging part of that job was to deal with clients. Clients tell me what their problems are and then I try to find solutions and communicate the solutions to them in a simple manner. Maybe I should have been a psychiatrist.

Another thing I've really enjoyed throughout my commercial and volunteer career is teaching. As an example, one day Brad Smith of Milliman talked me into doing

GAAP teaching sessions with him, and I ended up doing those sessions for several years. I am a picky teacher, though, because I only like teaching people who really want to learn. I want people to think for themselves and I'm always happy to push them in the right direction without totally spoon feeding them an answer.

I have also thoroughly enjoyed traveling, especially internationally, throughout my commercial and volunteer career. Many times, I wish I could go back in time and pay more attention in my foreign language classes. Being in a country where hardly anyone speaks English is a very humbling and interesting experience. Once when I was in Japan, Peter Duran, a colleague in Japan at the time, gave me what he thought were very simple directions to walk a few blocks to a Starbucks to meet him. Meanwhile, Takeko Uemota, a Japanese colleague from Philadelphia, did not think I would be able to figure it out, so she wrote out instructions in Japanese for me to give to a taxi driver. I tried to do it myself and walk to a Starbucks, but it was the wrong Starbucks. I tried to explain to the security guard in the building where I wanted to go. He seemed perplexed, so I handed him the instructions that Takeko gave me. The guard then instructed me very slowly how to get there, but in Japanese. I thanked him and we both smiled. I then walked back to my hotel and handed Takeko's paper to a taxi driver, who took me to my Starbucks that was one block away.

The most unique part of my background is that although I travel extensively, I have always lived in a concentric circle of about a 15-mile radius. And this includes college.

**LINDA:**

What do you think contributes the most to your successes? And how should every aspiring actuary develop these skills/traits?

**MARK:**

Over the years, I have learned to appreciate a number of things I never learned in school.

First, I learned that I do not need to be the smartest person in the room. There are a lot of smart people in the actuarial profession. Also, I hate to break the news, but there are a lot of smart people in other professions, too. Our work does not usually require workers to build the CERN particle accelerator to solve our problems. But, even if it does, it is not sufficient to say that an answer is correct, just because it comes out of complicated machinery.

It is more important to see the big picture and estimate your answer first by using a simple model. Then, you should think about developing a more complicated model if you really need a more refined answer. But, only develop it in a manner where you can analyze the differences between the simple and complex model. Walk before you can run. And once you can analyze the results, you need to be able to communicate them in a simple manner. Understand, analyze and communicate.

A second thing I learned is how important it is to keep in touch with people I've worked with over the years. When I went to my first SOA meeting at Banff in Alberta, Canada, I only knew one person. Now when I go to these meetings, I run into many people I know. This is not because I am overly extroverted, because I am not. It is because I have consciously made an effort to stay in touch with my friends. That is not difficult at all; it's fun. And it pays big dividends.

Jack Taylor, Philadelphia Life's chief actuary when the company hired me, left Philadelphia Life for another company. We talked from time to time after he left. When I joined Huggins, word got around to him and in my first week there, he called me up and gave me a consulting assignment that lasted about three months or so. A large portion of my clients over the years were friends.

Hopefully, this is good advice for those of you not only in insurance consulting jobs, but also in any job. Not many actuaries stay in one job, so having a network of people whom you can talk to when you want or need to change

jobs is invaluable. And if you want to run in an SOA or other election, knowing people comes in handy, too.

An equally important trait I've developed is that I gain people's trust by talking straight and to the point. I am not afraid to tell a client that it might not be worth their while to hire us in a particular situation. If someone asks me a question, I will answer it if I can instead of spinning an answer to attempt to sell something else. Although others may disagree with me, most selling, whether it's to your boss or to a client, occurs by being really good at answering questions, once you gain people's trust.

**LINDA:**

What is the greatest difficulty/challenge you have faced as an actuary? How did you overcome this difficulty?

**MARK:**

Consulting is a strange job. It takes a long time to get to the point of feeling that one is in control of one's life. In the beginning, I craved billable hours, because I figured I could store them up like a squirrel stores up nuts when the work would get dry. But, I still became very insecure after a large consulting assignment ended. Where would I find my next job? What if I could not ever find my next job? After a while, I came to the realization that, one way or another, work tends to come in, and I found that worrying about it was a gigantic waste of time. This mindset worked for me for years.

And then came Enron and an even more serious challenge. Before Enron, as a consulting actuary in an accounting firm, one source for consulting revenue was to leverage off our audit relationships. Enron changed all of that. Auditor independence became a much larger issue. We had to change our focus, by emphasizing audit work for audit clients and consulting for non-audit clients. Although our revenue initially dropped, in the long run we improved tremendously by implementing this new strategy.

CONTINUED ON PAGE 4

**CASSIE:**

What would you like to achieve as SOA president? What's your future outlook on the SOA or the actuarial profession?

**MARK:**

My FSA credential is my most important asset. I want this credential to be the world's most prestigious actuarial credential. In order to make that happen, the SOA must concentrate on the needs of our current members, create new markets for the actuarial profession and become a more global organization. I'm hoping to help make a good dent in these items during my tenure as SOA president.

Last year, before I ran for president-elect, I chaired the SOA's strategic planning task force. I think that both the SOA and actuarial profession will be in great shape as long as we follow that plan for the next four years. Some of the early thinking of that task force was contained in something called a "change agenda," and I'm going to discuss some of its elements for my crystal ball of the future.

As a profession, actuaries will not only increase relevance and demand in traditional markets, but we will open up new markets. We will move from being widely perceived as technical experts to highly sought-after risk professionals with both business acumen and technical expertise. Perspectives of actuaries will inform public opinion and policy in areas such as public pension plans, health insurance and Medicare and social security reform.

The SOA will move from having a predominantly North American membership to an organization that attracts

NOT MANY ACTUARIES STAY IN ONE JOB, SO HAVING A NETWORK OF PEOPLE WHOM YOU CAN TALK TO WHEN YOU WANT OR NEED TO CHANGE JOBS IS INVALUABLE.

and serves members in sustainable actuarial communities around the world. We will move from attracting math-oriented individuals aspiring primarily to technical excellence to attracting the best and brightest representing a variety of skills and aspirations from technical excellence to senior business and policy leadership. On the research front, we will not only advance actuarial knowledge, but we will expand the boundaries of actuarial science, strengthen practice and inform public policy.

**LINDA:**

In your opinion, what innovation can be introduced in the SOA and the Canadian Institute of Actuaries (CIA) to improve the education/development of new ASAs and FSAs?

**MARK:**

I will answer this from the SOA's perspective, since I'm not a member of the CIA.

In the old days, most continuing education for actuaries occurred at on-site meetings. This is changing for a variety of reasons. First, employers are being more frugal in allowing people to attend conferences. Second, members of the SOA need a substantial amount of hours in order to satisfy continuing education requirements. They find that they can satisfy their requirements more efficiently by going to a large meeting, such as the SOA annual meeting. This is causing attendance to drop at our smaller meetings and teaching sessions. Third, webcasts are becoming a popular option. Fourth, our growing membership outside of North America is not as interested in North American events. Fifth, our younger members are comfortable with technology as a prime conduit of education, and we need to recognize that preference.

Over the last few years, the SOA has developed e-courses for continuing education. We currently have 20 of them. They run from 1 to 7.5 hours and are relatively inexpensive. They have not yet caught on, but if we figure out



how to do these correctly, they will become very popular and will solve some of the issues I talked about. I do not think the combination of webcasts and e-courses will ever replace the large on-site meetings, but they could easily replace many of the smaller ones.

**CASSIE:**

Looking longer term, what do you think will be the challenges and opportunities for actuaries in the next three years? Five years? Ten years? How do you think we should get ready to meet these challenges?

**MARK:**

The actuarial profession has many challenges.

Some of our traditional markets, such as life insurance in North America and defined-benefit plans, are either static or shrinking. The health insurance market for actuaries in the United States is at risk if there is ever a single payer system for health insurance. Outsourcing of actuarial work from North America to foreign countries is increasing.

At the same time, there are many opportunities.

First, there will be opportunity from evolving regulations over the next three to five years, such as health reform, principle-based reserving in the United States, and changes in GAAP and IFRS accounting for insurance contracts and pension plans. Some of these could generate a “full employment act” for actuaries, as is currently the case in Europe with Solvency II conversions for insurance companies. In order to be ready for these opportunities, the SOA needs to arm our members with more pointed research and education.

There is a challenge, however, from these opportunities, and that is how we can create sustainable work after we complete the conversions. In the longer term, we need to focus on business needs of our employers and clients and not just their regulatory needs.

A second opportunity is that insurance is growing tremendously in emerging markets, such as China. In order to take advantage of this growth, we have to continue to develop our membership in these countries by providing these members more focused research and education.

A third opportunity relates to risk management. Actuaries have been successful so far in risk departments of insurance companies, and many have assumed the roles of chief risk officers. We need to increase this trend with a goal of having an SOA member as the chief risk officer of every traditional actuarial employer.

A related challenge (and opportunity) will likely occur at some point, although it is difficult to determine when. During the recent financial crisis, the actuarial profession was largely silent. We wondered why nobody asked us what we thought. We will likely have another chance.

What impact will a long period of low interest rates have in the markets we serve? What if, instead, interest rates and inflation rates increase sharply? How will this

CONTINUED ON PAGE 6

impact people who own defined pension benefits or life or long-term health insurance policies? What can our employers and clients do to help their customers? What can they do to help themselves? I do not necessarily have answers to these questions, but we should start trying to as a profession. The point is that where there is risk, there is opportunity for actuaries.

**LINDA:**

Nowadays, the actuarial profession is trying to expand into more non-traditional fields. Is there a particular field that you think will be in huge need of actuarial talents in the near future? Where do you see the profession is going?

**MARK:**

I think there are three fields that have strong potentials for success for our members.

The first is risk management. As I discussed earlier, actuaries have been successful so far in risk departments

of insurers. But, we have had limited success so far with respect to risk departments in other industries, even though that work should be a natural to us.

The second is business analytics. The new buzz word in businesses today, including in our traditional employers, is “big data.” For those of you who either read or saw the movie *Moneyball*, you will know what I’m talking about. The SOA recently had a strategic initiative in this arena and created a substantial amount of research and educational material.

The third is banking. In some other countries, such as Australia and South Africa, actuaries have moved into banking. The question is whether we can replicate these successes in other parts of the world.

The SOA has undertaken a number of initiatives in the past with the goal of expanding opportunities for actuaries. There is a new initiative called “non-traditional roles strategy,” where we will develop a general strategy around all of these efforts to ensure that actuaries have new ways to apply skills in both traditional and non-traditional markets.

**CASSIE:**

Which area(s) do you think actuaries need to put more efforts in so as to justify the value of the profession?

**MARK:**

Many employers criticize our profession as being in the weeds with not enough communication skills. We do not need to train every actuary to be a CEO. But, we do need to ensure that every actuary, no matter how much he or she works in the back room, can communicate. And generally, the actuary will do a better job when he or she sees the big picture.

The SOA has started to assist our members with this issue.



We have a Decision Making and Communication module as part of our fellowship requirements. There are a few e-courses on this subject on the continuing education side. We have also had a recent seminar on business skills.

We are going in the right direction, but we need to do even more in this regard. We need more general business topics, including communication, so that our members develop more business acumen. We are very good at adding every technical topic on the face of the earth to our basic and continuing education syllabus, so we have to be equally as good about adding more of these softer topics.

**LINDA:**

How should someone looking to take on a leadership role at SOA go about doing so?

**MARK:**

In the past, there have generally been two ways. The first is to enter through the educational area. Usually, this means one grades an exam and then builds oneself up to becoming an exam committee chair. The other way is to go down the section council route, like I did. One starts out writing and speaking and networking with people, and eventually running for a section council and then becoming a section council chair.

Other routes are possible, though. For example, I believe that a well-known actuary in a senior position might potentially bypass these traditional routes and run directly for the board. This is not common, but I think it is doable.

The key is to build a strong network of friends who will vote for you once they see you running for a position.

**CASSIE:**

You've made a comment on the actuarial profession being largely silent during the last financial crisis. Can you make some additional comments on why this is so?

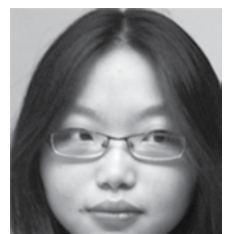
**MARK:**

During the recent financial crisis, the actuarial profession wondered why the public did not ask us for an actuarial viewpoint. This was largely because the public tends to view us as experts in insurance and pension liabilities. If we want more attention, we need to find a way to speak up more.

We need to become major contributors to the discussions on issues we have expertise in. There are tough decisions to be made on many financial issues, including health care and Medicare reform, social security, public pensions, and accounting and capital changes. The profession needs a comprehensive approach, from research to forming a viewpoint to delivering our message to the public. The SOA has a major role in this, but we should also connect with other actuarial organizations, where appropriate. By seizing this opportunity, we will dramatically expand our visibility, enhance our brand, and create new opportunities for actuaries. ☆



Linda Liu is a senior student at the University of Toronto, studying Actuarial Science and Statistics. She can be reached at [lindayi.liu@mail.utoronto.ca](mailto:lindayi.liu@mail.utoronto.ca).



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