Article from:

Actuary of the Future

April 2014 – Issue 36

Talk with a Risk Management Guru: Mike Smith, CEO of ING U.S. Insurance Solutions

By Joshua Rundle and Winnie Chen

Josh: It's a pretty exciting time for you and your company this year. This year will be the year that your company is transitioning from ING to Voya after quite a bit of anticipation. I really like the new name as it seems to capture what the industry is all about. Whether it is insurance, investments, or retirement savings, it really highlights the fact that as we roll along on this journey, you want to feel secure. Tell me a little bit more about why you are excited for this year's transition and what the name Voya means to you.

Mike: Well, I think for me, having joined what was then ING five years ago and seeing the transformation from where we were—which was a company that had just accepted a substantial amount of aid from the Dutch State and was going through a challenging process to determine what it was going to be in the future—now, we've had a successful IPO. We've gone to the capital market for a number of very successful capital races. I think the world understands our story and our employees do, too. Now that the preparation work is done, we are shifting our focus to executing and delivering on the things we told the outside world we were going to do. That's the exciting part now.

Josh: ING has a few different campaigns that I particularly enjoyed, being part of the industry and as an actuary. One of the campaigns I really like is the Orange Money campaign. Not only is it humorous, but it does a good job of getting people thinking about where their money is going and how it impacts their retirement outlook. But the one I want to briefly hit on is ING for Life. Maybe it's partially a generation thing, but I really enjoyed the experience on the website. It feels as though you are almost catering a product specifically for me. Can you tell me a little more about where you see technology like this taking us in the years ahead and how it might change the landscape of the industry?

Mike: Last week I changed roles to become CEO of ING U.S. Insurance Solutions unit, so the ING for Life is directly within my new responsibilities. Stepping back

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for a minute, life insurance ownership is at the lowest level since World War II. Some estimates of the protection gap range into the trillions of dollars. While as an industry this is clearly an opportunity, there is also a societal problem here. We have tens of millions of individuals who are not protected and are not taking advantage of some of the other opportunities that come from a solid life insurance and financial plan. I think there's a great opportunity for us as an industry and Voya particularly to build on tools like ING for Life to reach more of the millennials, if you will. To reach younger people and people who don't think they can afford it or have children and cannot afford it, ING for Life can help them understand and demystify life insurance and also help get their heads around retirement savings through the use of Orange Money. I think that's a primary challenge for us as a company and one that we are focused on.

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KNOW YOUR AUDIENCE. YOU CAN'T MAKE AN EFFECTIVE PRESENTATION IF YOU DON'T KNOW WHERE THEY ARE COMING FROM. YOU CAN'T BE INFLUENTIAL IF YOU DON'T UNDERSTAND WHAT IS IMPORTANT TO THEM.

The thing about ING for Life that I like is that it does capture the audience really well. The thing we need to continue to improve on is that it doesn't necessarily lead to a place that is fully satisfying for the person. It is the great tool to build awareness. We will continue to do that. We just need to take it to the next step.

Josh: Is the goal to make a direct-to-consumer sales channel more prominent by means of technology?

Mike: Well I think we need to recognize that we have an important relationship with our distribution partners that we need to continue to honor and work with. But there are also parts of the population that just aren't adequately served. We need to find ways to make sure they are getting served, either by helping the distribution partners reach them or finding other means. I am not saying we are going direct. We have a lot of customers who need our product. And they are not finding their way here so we need to collectively find the way to get them there.

Josh: If you don't mind, let me take a step back. You came to ING in the heart of the financial crisis. What attracted you to ING at this point in your career?

Mike: Well, I would say it was a combination of things. Primarily, out of chaos comes opportunity. I thought I could add something to the organization that it needed. From a professional level, it was a great chance to go somewhere and bring my experience to bear.

Josh: We mentioned that you entered ING in the middle of the financial crisis. How did entering ING at that particular moment change your thoughts about risk? How did it make you a better chief risk officer (CRO) as you later took on that role?

Mike: First of all, my prior company, which I have nothing but admiration for, didn't have a distinctly articulated risk function. It was instead embedded throughout the business. I was impressed by how the risk function in ING was fully separated from the rest of the business and how that was envisioned to work. I was also intrigued by the three lines of defense model. Also, my prior experience of having risk deeply embedded into business helped me find what I would call a middle ground, which is a risk function that is independent, can raise objections, and isn't fully ruled by the business. But at the same time, a big part of our mission is to make sure the business is thinking about risk itself and is not looking to us as merely a gatekeeper. We are not the people that say yes or no. We advise—what the risks are and what are the best ways to navigate them. We work with the business to find a balanced solution to achieve the goals of the overall organization. I feel we have created a very effective Risk team that is a key member of every business unit. We get listened to. We have a strong influence over where the organization is going. We are not just an aggregator of risk data. We are a partner. I think that's really critical.

Josh: This is a good transition to my next question. We know that ING will be transitioning from a Dutch subsidiary to an independent U.S.-based company. Can you tell us about how coming from a Dutch subsidiary better positioned the company from a risk standpoint and how it will change your thinking going forward?

Mike: I would say this is not so much about being Dutch as it is about being European. The heritage of a fully articulated risk function with a lot of emphasis on economic measures has put us ahead of the game in some aspect. I think there are some things we need to modify and will have the freedom to do so. We will also be able keep the things we find really useful. We will spend less time focused on pure market value measures, which showed some weaknesses during the financial crisis. In other words, I think we have a chance to use the best of both worlds. I think the other transition for us is from a European parent that had ample capital, and had given us a very clear mandate to grow, to one where capital is limited and we now access the capital markets directly. As a result, we have a whole different set of external stakeholders to get used to. It is a very different set of communications both in terms of style and content to the outside world versus talking to a European parent. The questions that we're asked are very different. The focus is very different.

Josh: How much do you see yourself using the market consistence methodology going forward?

Mike: I think we will use it in spots. We find it helpful in pricing. It helps us filter out potentially unpriced options that we have sold to policyholders. We can make better economic decisions that way. I think we will use some of those elements in our capital assessment.

Josh: You spoke at the annual meeting on enterprise risk management (ERM). There are a couple of thoughts that I want to touch on. Actuaries like to use large, complex models and very sophisticated metrics that some may say are difficult to understand. From your experience on both sides of the table, how does a young actuary go about tackling complex risks while still maintaining the simplicity needed to help senior-level management quickly grasp concepts and make decisions accordingly?

Mike: A couple of things. Align the things you are measuring with those things that management views as important. And there are two ways to do that. One is to define the risk measure and embed that into management objectives. That's an approach I've seen done. We chose a different approach, which is to understand the exposure to things that management already cares about, like capital and earnings, and show what can happen under various conditions. Use scenarios that feel real; I think it's very hard to relate to events that we present as 1 in 200 or 1 in 500. It's just too easy for management to say that will never happen. Start with the 1 in 5 or 1 in 10, then go to 1 in 20, and build momentum that way. The way to really be accepted is to start by building risk metrics that management relates to and lead the organization to make decisions in light of those matrices.

Josh: I think that is some great insight for younger actuaries. Let's dig just a bit deeper on that. How would you recommend relating to management and gaining credibility in an often limited amount of time?

Mike: This is another thing I mentioned in my presentation. Know your audience. You can't make an effective presentation if you don't know where they are coming from. You can't be influential if you don't understand what is important to them. Once you know that, you can find ways to help them understand risk in the context of the things that are important to them, what they need to be worried about and how we can collectively try to solve the problems.

Josh: I really appreciate you taking the time, especially during quarter-end, to talk to us about risk. One last question relating to your success in the industry coming from an actuarial background: What is a key piece of advice that you would give young actuaries, early in their career, that will help them gain a "Big Picture" mentality that will ultimately help them progress throughout their career?

Mike: First of all, you have to want to do that. For many in our profession, it's very comfortable to stay in the details, and there is nothing wrong with that. But if you aspire to be a business leader, your actuarial training is an enabler. Also seek out other learning opportunities as you go through your career. Focus on expanding your knowledge more than about progression up through the ranks. One mistake a few people make is when they have the opportunity to

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move into a new business, maybe move from finance to a product area, but at the same level they ask "Why would I take this if it's not a promotion?" The better way to get to a position where you can get the bigger promotion is to have a broad skill set. The way I have approached career decisions is to focus on whether there is an opportunity for me to continue to learn. If I felt I was in role where my pace of learning had slowed, I would start watching for new positions and talking about other opportunities. I would look for opportunities that would be new and different, either in terms of subject matter, function, and then if there's a management opportunity, what can I learn from the management perspective?

Josh: Thank you very much for your insight today. It is certainly appreciated.

Mike: I wish you the best of luck. ☆