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# Substituting Facts for Impressions— A Tool for an Actuarial Manager

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**H**ave you been on either end of a conversation like this at performance review time?

*Employee: I think I did a really great job on the cash flow project. I completed the projections for all products by the deadline.*

*Boss: Yes, but you didn't provide the pricing actuaries with the information they needed.*

*Employee: Well, yes, but that wasn't part of the original project definition—how was I to know what they wanted?*

*Boss: You should have been in touch with them anyway, just to let them know what you were doing. I have had to do that on your behalf all year.*

And later:

*Employee: I have been working at my current level for three years now, and I think I am ready for a promotion.*

*Boss: Well, I think there are still some skills you need to develop before you'll be ready for the next level.*

*Employee: What skills are those?*

*Boss: Business skills, really—I'll know it when I see it.*

Now, both the employee and the boss walk away from the review feeling less than satisfied. The employee thinks that all work has been completed according to the definitions agreed, and feels like the bar is not only high, but somewhat invisible. How can you build a development plan to address, “I'll know it when I see it”? The boss is frustrated that the employee doesn't seem to see where they need to grow, and as a result the boss has to continue to be too involved in the work of the employee.

What is missing? How can that gap be filled?

As a manager, it's critical to be able to coach and direct staff development, both for their success and

your own. The question applies just as much to your own development plans as to those of your staff. Do you really know what is expected of you in order to be ready for the next level?

In the actuarial field, technical knowledge is table stakes. It fits into the category of necessary but not sufficient. What sets a candidate apart when a promotional opportunity arises goes well beyond technical skills. The SOA has invested thought and energy into developing the competency framework,<sup>1</sup> and it's worth a read.

In addition to that, many companies have defined corporate competencies that are also necessary to move ahead to the next level. At our organization, those competencies are rated annually as part of the performance appraisal process. By translating those competencies into practical descriptions at various levels of student and actuary, you can develop an excellent tool for coaching staff about how to progress in those “softer skills.”

To illustrate, consider this example developed for our Corporate Actuarial department, for the business competency described as “Passion.” According to the organizational definition, the role model is someone who:

- Continually develops an understanding of the “business” at an enterprise-wide level.
- Maintains an intense and deliberate focus.
- Effectively determines, defines and advances the organization's most important priorities.
- Sets standards with an understanding of the industry and competitors.
- Invests time and energy on the right issues to drive success of the organization.
- Challenges conventional thinking—critical thinking.

While the bullets make sense conceptually, how does this translate into the life of an actuarial student or even a newly minted FSA or FCIA?



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Certainly it means different things for the signing actuary (Appointed Actuary) than it does for new graduates with one actuarial exam to their credit. Note that, in Canada, signing responsibility is limited to fellows of the Canadian Institute of Actuaries (FCIAs). The progression below for “passion” is designed for those students who are actively working to achieve the FCIA designation, through completion of FSA requirements and Canadian work experience.

<p><b>Pre-ASA to new ASA/ACIA</b></p>	<ul style="list-style-type: none"> <li>- Learn about the products offered, how they work, how their cash flows are modeled.</li> <li>- Understand reserve methodology (potentially for multiple jurisdictions and/or multiple accounting bases).</li> <li>- Learn about experience studies, and how they impact cash flow projections (used for reserving in Canada and cash flow testing in the United States).</li> <li>- Start to learn about the requirements and users of the various reports produced by the Corporate Actuarial department.</li> <li>- Focus on doing work efficiently.</li> <li>- Question utility and application of work—to improve overall value.</li> </ul>
<p><b>ASA/ACIA to new FSA/FCIA</b></p>	<ul style="list-style-type: none"> <li>- Make connections between exam material and work requirements.</li> <li>- Begin to understand financial statements, beyond the reserve number.</li> <li>- Industry knowledge increases through exam material; connecting theory to work, and asking questions.</li> <li>- Start to be involved in discussions to enable understanding of trade-offs between department priorities and the organization’s priorities.</li> <li>- Ensure clear understanding of utility and application of work—implement improvements to efficiency.</li> </ul>
<p><b>Manager (typically one to five years post FSA/FCIA)</b></p>	<ul style="list-style-type: none"> <li>- Clear understanding of financial statements and relevant actuarial analysis; able to explain results to other actuaries, accountants.</li> <li>- Basic understanding of the work of other departments and the linkages to actuarial work.</li> <li>- Develop healthy working relationships with peers in other financial areas.</li> <li>- Knowledge of industry broadened and made practical by attendance at conferences and webcasts, reading industry materials and interaction with others.</li> <li>- Understand how industry trends impact this organization.</li> <li>- Focus on effective delivery of internal priorities, with a clear understanding about how they support the organization as a whole, and their expectations (both fulfilled and unfulfilled).</li> <li>- Recommend new or changes to processes, based on updated utility and application of tasks.</li> <li>- Recommend approximations for specific work, as appropriate; know what other analysis may assist in validation.</li> </ul>
<p><b>Director (typically five-plus years post FSA/FCIA)</b></p>	<ul style="list-style-type: none"> <li>- Deep understanding of financial statements and actuarial analysis.</li> <li>- Able to draw connections between various analyses, and explain to others.</li> <li>- Able to draw conclusions about possible future outcomes, based on changing circumstances (economic, market-driven).</li> <li>- Good understanding of other functions in organization; how these connect to and interact with Corporate Actuarial.</li> <li>- Build and deepen working relationships with financial and non-financial peers across the organization.</li> <li>- Given solid knowledge of industry developments, contribute to planning and prioritizing work for next one to two years.</li> <li>- Find ways to estimate impact of work.</li> <li>- Clear understanding of all organizational priorities.</li> <li>- Planning and prioritization recognize organization needs.</li> <li>- Determine where to eliminate work—to improve effectiveness.</li> <li>- Know when approximations are appropriate—broad understanding of sources of validating data and analysis.</li> </ul>

<b>Assistant vice president</b>	<ul style="list-style-type: none"> <li>- Full and deep understanding of all departmental outputs.</li> <li>- Ongoing relationships with peers across the organization, both financial and non-financial.</li> <li>- Leads planning and prioritizing of work for next two years to best fulfill the needs of the organization.</li> <li>- Influences organization priorities based on knowledge of expected future state—two-year-plus horizon.</li> <li>- Comfortably switches between approximation and analysis as appropriate.</li> </ul>
<b>Appointed Actuary—VP</b>	<ul style="list-style-type: none"> <li>- Full understanding of how departmental outputs affect all areas of the organization.</li> <li>- Fully mature, advisory relationships across the organization.</li> <li>- Leads planning and prioritization of work for next five years to best fulfill the needs of the organization.</li> <li>- Ensures that organization's leaders understand the expected impacts of the work over the planning horizon.</li> <li>- Makes choices about where to spend departmental time.</li> <li>- Influences organizational priorities to optimize financial performance against organizational goals.</li> <li>- Speaks with confidence about all actuarial matters—seamlessly and invisibly using knowledge and approximation as appropriate.</li> </ul>

Working with managers at all levels, we developed this sort of breakdown for each of the competencies against which we rate staff as part of the annual performance review, including “focus on results,” innovation, collaboration, decisiveness, customer focus and sharing knowledge. The further detail is extremely valuable in framing and providing context for development and promotion discussions. It assists the staff member in understanding exactly what else is needed to demonstrate competence and what will be expected at the next level when it is achieved. Across the spectrum of competencies, it provides the opportunity for the manager to give credit where credit is due—highlighting existing strengths—while also pointing out the gaps and sharing constructive ideas about how to eliminate them.

Note that unless you are the only actuarial manager in your company, you should not develop this in a vacuum. Take the time to consider the expectations of actuaries at your company at all levels and document your thoughts. It will lead you to have some great conversations with other actuarial managers, identifying inconsistencies in expectations between departments (or even within a department). And if all levels of actuarial managers buy into this you get a side benefit—it gives you the chance to find out exactly how

they see the evolution of your role—very useful information to have!

This articulation of expectations and value added by each job level is not a small undertaking. But in the same way that an exam grading outline simplifies the process of marking exams, the up-front effort to develop this framework shortens the prep time required going into performance appraisals.

You might even sleep better knowing you are ready for your next management test—when you are asked, “*What will it take?*” ●

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#### ENDNOTES

<sup>1</sup> Check it out at <http://www.soa.org/competency-framework/>.