



SOCIETY OF ACTUARIES

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# Staying Relevant in an Analytics-Driven Market

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**Already, Jacobson's labor study shows analytics outranking actuarial talent in terms of demand and likelihood of hiring.**

Analytics, big data and predictive modeling are red-hot buzzwords and compelling mandates in the insurance industry. Companies are realizing the powerful insights that analytics can contribute and are clamoring for top-quality analytics professionals. According to The Jacobson Group and Ward Group's 2014 Semi-Annual U.S. Insurance Labor Outlook Study,<sup>1</sup> analytics ranks in the top five most in-demand job functions as well as in the top five areas where companies are looking to increase staff throughout the upcoming year.

Companies now see analytics as a tool to stay ahead of the curve and gain a leg up in the market. IBM recently reported<sup>2</sup> that nearly three-quarters of insurance companies believe that big data and analytics will give them a competitive edge, while a survey<sup>3</sup> of the Chartered Institute of Loss Adjusters showed that 82 percent of industry professionals believe that organizations that do not utilize big data will become uncompetitive.

Regardless of company size or focus, the desire for rich data assets and analysis has created a focus shift toward predictive analytics and data modeling. As this demand continues to increase, how does actuarial experience and perspective fit in? How can actuaries ensure their skills remain relevant in the growing world of analytics?

## PROPERTY/CASUALTY COMPANIES LEADING THE WAY

The use of predictive analytics in the property/casualty (P/C) industry reaches as far back as the early 1990s, when companies began using analytics for rating and underwriting. In fact, P/C actuaries have stood at the forefront of analytics and have been deploying increasingly sophisticated mathematical techniques to calculate financial risk for years. Today, analytics is a vital part of the ever-growing P/C industry, permeating into marketing, underwriting and claims functions. This embracing of analytics and big data has led to greatly improved efficiency and consistency, particularly in its revolutionary application to marketing and claims.

## LIFE AND HEALTH COMPANIES FOLLOWING CLOSE BEHIND

While the life and health segment has lagged in embracing analytics in comparison to its P/C counterpart, currently there is a force for change moving it forward. More and more companies are realizing the benefits of analytics in differentiating and improving their organizations. Understanding that advanced analytics tools can support profitable growth has spurred the life/health sector to actively adopt an analytics mindset. "Advanced analytics has helped the actuarial profession and risk management field by providing the capability to calculate risk metrics that were previously difficult or impossible to perform," says Vinaya Sharma, FSA, CERA. "With these metrics, better hedging strategies, optimal portfolios and more robust forecasts are possible."

## MOVING ACTUARIES TO THE ANALYTICS FAST TRACK

As organizations focus on incorporating analytics into their day-to-day operations, many understand that actuaries are credible subject matter experts in the industry. Companies look to actuaries to take the leading role in not only integrating analytics and big data but in educating and socializing their colleagues in regard to analytics. In fact, the U.S. Department of Labor predicts a 21 percent growth in the number of actuaries involved in analytics by 2018. Already, Jacobson's labor study shows analytics outranking actuarial talent in terms of demand and likelihood of hiring. Yet some professionals in the actuarial arena remain hesitant to jump on board.

Part of this reluctance to fully adopt new analytics functions is the continued success of many tried-and-true practices of the past. But this "don't fix it if it isn't broken" attitude will leave many individuals in the dust as analytics continues to grow in importance. "Actuaries need to look toward new areas," says Mike McLaughlin, FSA, CERA, FIA, MAAA, and past president of the Society of Actuaries. "Our training makes us perfect for enterprise risk management, complexity science and analytics."



By embracing the new analytics-centric role their companies are looking for, actuaries are providing themselves with new career possibilities, expanding their capabilities and providing immense value to their organizations. Focus on changing the way you think about your current actuarial role and its scope. Analytics is a perfect addition to your “technical tool kit.”

Business analytics are providing companies with insightful decision-making statistics and affording them the ability to assess the marketplace from a completely new perspective. Actuaries have the chance to be leaders in this ground-breaking change in the marketplace and should welcome the new frontier that analytics will provide. This is a branding opportunity and a moment to offer thought leadership and the actuarial perspective to the industry on current and emerging analytics practices.

In fact, the actuarial experience and perspective is a key starting point for many companies considering implementing or enhancing their analytics program. Actuaries already have the baseline of skills necessary to succeed in analytics. Experience with analyzing complex data makes actuaries the natural choice when companies look to train employees in predictive analytics and big data. Despite this natural tendency to turn to actuaries to take on an analytics role within their organization, employers are also considering statisticians, data scientists, quantitative analysts, economists, accountants and IT professionals. Take advantage of your experience to set yourself up as the go-to analytics expert. Not

only will you be ensuring your personal relevance and reiterating your value to your employer, but you will also be opening yourself up to a wide range of new career opportunities.

While actuaries already have many of the essential skills necessary to get started, individuals looking to truly compete in the analytics arena may consider participating in continuing education in order to build a firm knowledge base their company can draw upon. This includes learning the latest technical techniques that are being introduced into the market and staying on top of emerging analytics trends. Focus on additional training that will help position you as an analytics thought leader. Currently, the Society of Actuaries is hosting a number of professional development events and continuing education sessions discussing practical working knowledge of analytics. In addition, many universities, nonprofits and consulting firms are now focused on offering meetings and seminars discussing the various types of analytics.

We are at an exciting crossroads as analytics takes the center stage in the insurance industry. We have an opportunity to embrace analytics—to go outside our comfort zone and look at the strides made within the P/C market, the health care arena, retail, government operations and financial services—and incorporate them into our own operations. The recent push toward analytics brings with it a wave of potential and expectations for the future that we must not overlook. If actuarial professionals want to stay relevant and truly deliver what their internal customers are looking for, now is the perfect time to position oneself as a pioneer in the analytics sector.

**Analytics is a perfect addition to your “technical tool kit.”**

#### ENDNOTES

- <sup>1</sup> Available at <http://content.jacobsononline.com/labor-market-stats-q12014-download-labor-study-webinar>.
- <sup>2</sup> <http://www-935.ibm.com/services/us/gbs/thoughtleadership/big-data-insurance/>.
- <sup>3</sup> <http://www.computerweekly.com/feature/Ordnance-Survey-insurance-industry-can-harness-big-data-analytics>.