Article from

The Stepping Stone

July 2018
Issue 69

CAREER DEVELOPMENT

Remaking the Role of the Insurance Actuary

By Matthew Clark and Tony Johnson

An insurance company actuary today wears many hats. No longer considered solely a calculation guru, the actuary is being asked to serve as a risk manager, business adviser and industry leader, too. This is creating new challenges to modernize the actuarial organization, but it is also opening opportunities for actuarial employees at all levels to contribute to strategic decision-making.

Actuarial leaders must find creative ways of getting things done, often by developing new, technology-enabled processes to accomplish operational tasks and meet strategic objectives. And it is no longer sufficient for the actuarial function to exclusively model, analyze and estimate. It must be able to generate more insight and foresight, and less data management and hindsight.

Of course, actuaries must continue to provide financial reports quickly and accurately and be able to explain results and drivers, accounting base differences and expectations. But they're also expected to produce more sophisticated analysis that connects historical performance to forward-looking projections and provides a drivers-based view of variances.

They're also managing increasingly complex actuarial models that require sophisticated calculations for planning, budgeting, forecasting, pricing and product development, capital planning, financial reporting, and asset and liability management. Indeed, managing technology is becoming a key part of the actuary's role today, and many are planning for and investing in next-generation technologies that are more flexible, customizable and automated.

Importantly, actuaries must focus on the design and execution of a governance framework for actuarial assumptions, methodologies and processes to produce transparent audit trails and provide assurance to management, regulators and external audiences.

This is a departure from the actuary's traditional role. As a result, many actuarial organizations lack the advanced capabilities, processes and technologies they need to meet these new expectations. In response, chief actuaries are exploring how to modernize their organization's actuarial operating model. They are rethinking what an actuarial department should look like, how it should operate, and what it should cost.

Actuarial modernization can help insurance companies assess and transform processes, systems and people in both centralized and decentralized operating models. When designed and implemented hand-in-hand with senior management and other key corporate functions—specifically finance and IT—actuarial modernization can improve the overall value of the function as an important contributor to strategic business and financial decision-making.

Modernizing the operating model can help actuarial organizations deliver greater value at a lower cost. The potential benefits are both quantitative and qualitative and may include reduced technology and operating expenses, faster and more accurate analyses, new depth and granularity of insights, and improved responsiveness to regulatory and market forces. It may also result in more engaged, satisfied and strategically focused actuarial professionals.

Many larger insurance companies already have incorporated some aspects of actuarial modernization into their operations. However, in general, insurance companies have a considerable amount of work ahead of them if the goal is to implement modernization programs across the enterprise.

Here are some concrete steps actuarial leaders can take to move a modernization project forward:

- Lay out a future-state organizational structure without constraint. Identify needed skill sets and plans to develop them. Put roles—not names—in boxes. Create job descriptions that include desired employee skills.
- Make sure the right talent is doing the right work. Evaluate opportunities to reorganize people in ways that are not constrained by typical function/line-of-business barriers.
- Develop a framework for developing and deploying talent so that employees have the freedom to move across departments, functions and other common organizational barriers.
- Recognize where similarities exist in processes and functions; they may provide opportunities to align like processes with the right talent (e.g., an IT resource rather

than an actuary). Identify processes that could use technologies such as natural language generation, advanced scripting or robotic process automation, and source solutions elsewhere in the company or from vendors.

- Question the status quo of each work product. Is it strategically adding value? Is it still needed by the organization, or is it addressing an old request?

- Develop a bench or pool of nimble talent to function as surge resources. Co-source work with other departments, and look for opportunities to use crowdsourcing to leverage resources during periods of high demand.

- Instill governance and accountability within the organization's culture so that, as actuaries move across functions or work with diverse groups, the foundational expectation for strong governance exists enterprise-wide.

- Embrace and focus on data; it is both an essential asset and a potential liability. Make sure all IT systems and data are accessible and reliable.

- Map out where and how actuarial data are obtained, processed, fed into models, reported and analyzed. Rework processes so that actuarial employees focus solely on reporting and analysis. Rely on IT to handle other processing and data-related tasks.

Senior executives expect company actuaries to be more proactive and strategic. By embracing a new, technology-powered operating model that frees them from the constraints of business as usual, actuaries can provide valuable information and insights more quickly and inexpensively, expand their skill sets, and become catalysts for strategic change. ■

Matthew Clark, FSA, CERA, MAAA, is a principal with Deloitte Consulting in Chicago. He can be contacted at *matthewclark@deloitte.com.*

Tony Johnson, ASA, MAAA, is a senior manager with Deloitte Consulting in Chicago. He can be contacted at *tojohnson@deloitte.com.*