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Session 87I
The Actuary as CEO

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Summary: This session features an interview and a Q&A format featuring prominent insurance industry CEOs who are also actuaries. This session provides the opportunity for participants to direct questions to those CEOs who are actuaries that *focus on the skills and abilities needed by actuaries to be successful in senior management.*

Mr. Robert L. Collett: Today's session is going to focus on the skills and the abilities of the actuary versus those needed in senior management. Our format is very much an interview format. I'll ask a couple of questions of our panel today to get things started. They may want to ask some questions of each other. But really the best questions will come from you. We will get into questions such as, what are the skill sets necessary to be a CEO? How do actuaries lead? Do they lead differently from the way other professionals might lead a company? What's the relationship between a CEO actuary and the actuaries within his or her organization? Does he/she use that actuarial support team in different ways? Does he/she make different demands on the actuaries? We've got a couple of panelists who know very well how CEOs think and behave. They're going to tell us a little bit about what keeps actuary CEOs awake at night, and whether that's any different from what keeps other CEOs awake.

We're extremely fortunate to have two well-qualified panelists. Each is now or has been the CEO of a major life insurance company. Each has a very long history of senior leadership positions within life insurance companies. Don Peterson started his career at Metropolitan Life. But not too many years into it he had a stint with North America Company for Life and Health, and then joined Benefit Trust, now Trustmark, in 1966. Since that time Don has held essentially every important actuarial post in that company. He became its president in 1983 and its CEO in 1991. Don has recently relinquished the CEO position and retains the title of chairman of the company. Outside his company work, Don has been a leader in many industry organizations, most notably at the Health Insurance Association of America (HIAA) and the American Council of Life Insurance (ACLI). He has also been an active member on the Illinois Life Insurance Council, serving as its chairman. Don's also been very active on the civic and philanthropic sides, particularly, United Way. He served as its general chairman one year.

Gabe Shaheen joined Lincoln National Life in 1977, and quickly became a senior VP for reinsurance. His first position leading an organization was in 1994, when he became president of Lincoln National Reinsurance Company. Then in 1996, he went to the U.K. and was general manager or managing director of Lincoln National-U.K., based in London. In 1998, Gabe became president and CEO of Lincoln National Life, and leads a variety of Lincoln National subsidiaries in that capacity.

Let me start my questions with Don. Were there any critical points along the way? Was there some point at which you first knew you were destined to lead, or some point that was all-important to your career?

Mr. Donald M. Peterson: I had absolutely no grandiose plans whatsoever. When I joined the Met, I thought if I could get to be an ASA. I'd probably be an assistant section supervisor, and be able to sit at a back desk with not too many people behind me. Once you get Associateship then you say, maybe I could actually someday become a Fellow. And I think that an FSA at the Met was making $10,000 a year, and that's all I would ever want. With me it was just sort of a step-by-step-type thing. I had no grandiose plans and all of a sudden here I am now a card-carrying retiree and have sat in a lot of chairs along the way. But in all honesty, it was beneficial not to suddenly start thinking as a CEO when you're 25 years old. Develop the experience, go through the various chairs, and see different views of what the ultimate leadership role is.

Mr. Collett: Gabe, as I look at your resume it looks like you were being groomed. They started you leading a smaller entity, then a larger one, and then a still larger one now. Is that indeed the pathway?

Mr. Gabriel L. Shaheen: If that's the case,. then somebody saw something I didn't see early on. Like Don, I never set out with any intentional goal of becoming president of a company. I had one purpose when I first got to the company and that was to pass the actuarial exams, like all of us. And singularity of purpose helps you achieve what you're after. You're also trying to do pretty good work when you're not studying. What's happened to me is, I tended to be sitting there minding my own business, doing my job. At times in my career I come to the conclusion that things are pretty well set and this is how it's going to be. I'm going to work for whomever I'm reporting to right now, probably until I retire, or until he or she retires. Then something totally unexpected happens and someone is no longer with the company or whatever, and I've been asked to take those positions. One thing led to another and that's what put me where I am. I can remember thinking, when I was first at Lincoln on the rotating actuarial program and working on the exams, that if I could retire as a vice president of Lincoln I would feel like I had had a career I could be really proud of. And sometimes I still think that might not have been a bad idea. But it's not the way it's worked out.

Mr. Collett: Gabe, let me ask you, what about the skill set idea? Do actuaries get the training that's needed? And you might expand on what you see as a skill set needed for a high leadership position.

Mr. Shaheen: I think the great advantage that an actuary has is a basic understanding of a business that you get from going through everything you go through. A lot of the business then just comes naturally to you. I first experienced that when I was working in Lincoln Re. I really grew up in the business of reinsurance at Lincoln. When I first went to reinsurance, the concept of what you were doing in a reinsurance transaction just seemed totally natural for me. There are other people coming in that didn't have an actuarial background and you had to explain reinsurance. I think you get that great advantage as an actuary.

One other thing that ends up being important is relating to all the elements involved in running a business or running a company. The big thing that you have to deal with as a president is all the different constituencies that have many different interests. And that's something maybe we'll get into a bit deeper. But you have to have an overall view of what's happening, and how things interrelate with each other, creating the overall greater good. I think that Don, with the length of experience he's had as a CEO and length of involvement he's had in the actuarial profession, can probably comment pretty specifically here.

Mr. Peterson: First, I think just the mathematical background helps to be able to understand the numbers behind our business. Secondly, I think the training of an actuary is such that you amass a lot of knowledge. I like using the analogy of an insurance company. The actuary is sitting in the back seat of the car, looking out the back window. The vice president of sales has his foot on the gas, the underwriter has his foot on the brake, and the poor president is hanging on to the steering wheel—not knowing where to go. The actuary has to look out that back window and assemble all the information. Not just out the back window, but out the side windows as well, and out the front window. I think that's the way an actuary works. We don't operate in a vacuum. We try to get as many facts as we possibly can.

Not all actuaries are geared to serving as a CEO, and there's nothing wrong with that. I think some of the additional skill sets that the CEO's job requires include the ability to communicate, a judgmental capability, the ability to think strategically, and most importantly, the capability to build a team that works together. There are some people that are somewhat loners and feel they can make one magnificent strategic decision and that's it. I think that happens on TV and in the books and in the movies. In the real world, it's not one person. You assemble a team that compliments your own skills, and I think when you have an actuary as a CEO he or she has certain mathematical and knowledge-amassing skills, so he or she might want to surround himself or herself with people who have different talents.

On the other hand, if you have a marketing person or a lawyer, or an investment-type person, then maybe the chief financial officer (CFO) or an actuary will play a key role as part of the team. But this idea of building a team is a key skill. As we move through the chairs, what you try to do is build a team so that you don't have much to do, and the team does the work. Then all of a sudden you're plucked up to the next level.

Mr. Collett: How does that work out?

Mr. Peterson: You start all over again. You build a team at the next level, and you keep going and going until you apply for Social Security at the right time.

Mr. Collett: You alluded to an issue that actuaries might govern differently than another type of professional, in terms of surrounding or balancing that with other types around you. Do you see some other ways in which actuaries might make different CEOs?

Mr. Peterson: Yes. You'll delegate different things as an actuary than you would if you were a lawyer or a salesman. You feel much more confident, I think, in your own field. You'll probably relate differently to the actuarial staff and probably not deal with them as well, perhaps, as the non-actuary CEO. You may question some of their decisions, and you may look over their shoulders a little bit. And that's something you have to try to avoid. You should be focusing on the areas where you need help. You shouldn't be running back to the area that you came through. That's one of the challenges.

Mr. Shaheen: I think everybody is going to govern differently based on the individual they are. But anyone from a particular discipline has their own flair in terms of how they will govern or how they will lead a particular organization.

As actuaries we probably have a tendency to want to understand the risk that we're taking on at a deeper level than someone from another discipline might. I worked in a company that had an actuary as CEO for many, many years, Ian Rolland. Ian would be involved with the actuaries, analyzing what was happening on investment functions and what the risks were, and where you could really get burned and all that sort of thing. If you had someone from another discipline, I'm sure they wouldn't go into the level of detail that an actuary as CEO would.

I've at times been told that I'm not a risk taker. And yet, I think I take a lot of risk. I simply want to know what the risk is that I'm taking. What can go wrong? And if it goes wrong, what does it cost? To me, it's prudent to know that. Then make a decision on whether to take a particular risk.

Mr. Collett: We certainly took risk coming here today. Let me ask you in terms of actuaries as leaders, do you have some examples that you don't mind alluding to? It's okay to use them from your own company if you choose.

Mr. Shaheen: There are two people I think of. One, of course, is Ian Rolland, who was head of our company for probably 20-21 years. He was very involved in industry work and set a role model for all of us at Lincoln. Here's a man who is synonymous with the word integrity, in terms of how he ran the company and in terms of commitment to the various constituencies that you have in a company, including the community where your employees live and work. His commitment to the industry shows all the involvement he had. He's been president of this organization and he's been president of the ACLI and the HIAA. As there have been difficult industry issues, Ian has always been one of the industry statesmen dealing with those issues. When there's been divisiveness in the industry, he's one of the people that kept the discussion going and tried to work toward a solution that benefited the industry in total. Ian's definitely been a role model for me and for many, many people throughout Lincoln.

Another actuary CEO that I've been real impressed with (and he wouldn't know this) is Tom Sutton at Pacific Life. I've had a little bit of exposure to Tom, as both a company that was reinsuring his business, and then also just observing him as a competitor. I'm just impressed with the company. They're strong in what they do and they make an impact. Tom's not afraid to challenge conventional wisdom. I remember one time him questioning, "Do you really think there's any economy of scale in group businesses?" And he's willing to look at the actual facts and determine what really works or not. If I had to think of a couple of people that I have great respect for that have been CEOs as actuaries, those are the two who I'd come up with.

Mr. Peterson: I told Gabe he could have Ian, even though I claimed Ian as one of my role models as well. And I've always been jealous that Ian's been running longer than I have. But there are a couple of other senior actuaries.

Gil Fitzhugh signed my FSA certificate. Gil was president of Metropolitan Life at the time I worked at the Met. He also happened to be the president of the SOA many years ago. Also my predecessor, the gentleman who hired me, served 20 years or so as CEO of Benefit Trust Life, Ralph Eckert, also an actuary. He has to be a role model, because he had great judgment in hiring me. Another gentleman, who has had an illustrious career with a very large company is Bob Winters, with the Prudential.

The question was asked earlier, are there more actuary CEOs now then there were in the past? I really think there are more now. I take a different position than the Society. You go back 30-40 years, and I think most of the larger companies, especially the large mutuals, may well have had an actuary running them. The Metropolitan, Prudential, and certainly Lincoln had a heritage with Henry Root and others even prior to Ian. But the smaller companies in those days were more often led by lawyers or marketing people, or sometimes the investment folks, and the actuary would be a number two or a number three. I think that nowadays you see an awful lot of actuaries heading up the smaller companies.

I'm involved with the ACLI Forum 500, and many of the leaders of the smaller life companies have come up the actuarial route. Also, I was chairman of the board of the HIAA last year, and my three predecessors in that role were all actuaries: Jae Wittlich from CNA, Bill McCallum from Great West, and Tom Sutton from what was then Pacific Mutual. Last year, when I was chairing HIAA, Dave Stonecipher, from Jefferson Pilot, was the ACLI chair, and his two predecessors were also actuaries: Tom Sutton and John Turner from Reliastar.

You have seen current-day actuaries really leading both the health and the life insurance industry in every way. I'm active in the Illinois Life Insurance Council, and Jae Wittlich is chairing that now, and his predecessor was the actuary from Country Life, whose name escapes me.

Mr. Alan S. Turkiewicz: During your careers have you worked for non-actuarial types?

Mr. Shaheen: I'm thinking back to all the people I reported to. I think everyone that I've reported to in the past has been an actuary except for my current boss, the head of Lincoln National Corporation, who really has more of a banking, investment, and marketing background. I'm having a new experience.

Mr. Peterson: At the Met, naturally, I reported to actuaries. When I joined the North American Company, initially I reported to an actuary and then I reported to the company president who came up the sales route. When I joined what was then Benefit Trust Life, I reported at first to the chief group officer and to the chief administrative officer, and then when Ralph Eckert became CEO, I reported to Ralph. I have had exposure reporting to non-actuaries. It is a different feeling, because the communication set is quite a bit different depending upon his understanding of the topic you're discussing. You see that from both ends whether you're the actuary on top or you're the actuary reporting up.

Mr. Shaheen: If I go back, there's a six-month period in one of my first rotations where I reported to the head of agency side, the head of sales. But other than that, until now they've all been actuaries.

From the Floor: Was there a piece of training, a school you went to, or something after you became a Fellow that helped you to be a CEO that most actuaries don't get?

Mr. Peterson: I grabbed at everything I could grab at. I did not have an M.B.A., so in the early 1970s I had the benefit of going to Northwestern Institute for Management, which really helped broaden me. Life Insurance Marketing and Research Association (LIMRA) had a school for senior marketing officers in New Jersey, which I also went to back in the 1970s. Every opportunity I had to learn another discipline, I tried to take. I took the CLU exams, to become a Chartered Financial Consultant—American College and Registered Health Underwriter.

The younger actuaries at the company did not like me for this, but I actually purchased every single tape from all three spring meetings and the annual meeting of the SOA. I had a 45-minute drive back and forth to work, I'd listen to them in the car, and then I'd circulate them to all the actuaries and the senior officers of the company. The idea is to learn as much as you can learn because as you go up you just have to have a tremendous breadth of knowledge, even to deal with the people that you're asking to do the real work of the company.

Mr. Shaheen: I think it's a great question. I've been through a number of different courses and classroom experiences and that sort of thing. And I always try to remember a couple of things out of every one, because it seems to me if you try to learn ten things and apply them in practice, you'd fail at all of them. But if you try to learn a couple, you can use them effectively. I think the most memorable one was taking a two-day class on effective sales management. I still remember the two things that I brought out of that course, which was probably about 14-15 years ago. The two things were: (1) don't let a salesperson set his or her own sales goals; (2) everybody by nature, maybe more particularly salespeople, have a tendency, when you're talking about what you want to achieve, to say, “That will be great for the company. But what's that going to do for me?” This is something to keep in mind as you're setting goals.

I think that how we set goals and how we review performance and how we compensate people has a lot to do with the results that we end up getting. But more than any of those things, the thing that was beneficial for me was the fact that I was able to work in other positions where I really was involved in running a business. And that happened very early in my career because of where I was, the company I was with, and the type of business I was in. I was in the reinsurance business and I happened to be the first full-time employee that Lincoln ever had in financial reinsurance. Starting in 1979, I was a one-person line of business. And as a one-person line of business, I had to deal with how you sell something to someone, and I had to deal with taking appropriate risk. I had to deal with the financial reporting side of it. I had to think about all the dimensions in running a business.

From there I moved into various other positions, and I spent more years than any other in individual life reinsurance. We had people assigned to client companies. We had an actuary, an underwriter, a salesperson, and an administrative person on every particular account that we did business with or that we wanted to do business with. We tried to have clients working with the same group of people so you could have a chance to get to know that account, get to know what was important to that company, and try to figure out how to do the most business with them. How to help them be as successful as possible while you met your own risk control needs.

In that type of work, you have to think about your customer. You're working hand-in-hand with your customer. How are you going to meet the customer’s needs while you balance the risk? You know what the results are, you know what your sales are, and you know what your earnings results are on the accounts. You develop strategic plans or account plans for how you're going to try to work with that particular account; how you're going to do better than the competition. And so from a very early point in my career I was involved with a small group of people running a business. Since then, it has tended to be a larger group as we've gone through time: first, a group of accounts, then a part of the country, then the whole country, then other lines of business, and that sort of progression.

On-the-job experiences are much more valuable than anything you try to take in a course because you get real live feedback. If you do something that the client doesn't like you know about it pretty quickly. And you can see the results very definitely. And that's the thing that you have to get a feel for—the overall business.

Mr. Howell M. Palmer III: You’re both at different points in your careers. I'm curious how you would both like to be remembered as people look back on your careers.

Mr. Peterson: I've never really given thought to that. I think I've been sort of wed to the company the last few years. And rather than a personal remembrance, I just want to make sure that the company is there to pay my pension check for the next 40-50 years. And yet you do focus on that continuity. Ours is a mutual company, and we come from a purely mutual heritage. We are going through conversion from a mutual insurer to a mutual holding company. But just making sure the company continues to be successful will be remembrance or satisfaction enough.

Mr. Shaheen: I think I'd want to be remembered as a person who had the best interests of all the constituents forefront in mind. Ultimately, the bottom line is, you have to increase sales and you have to increase earnings. You’ve got to do a lot of things to make that happen. You can't do it with unhappy employees, unhappy customers, or unhappy salespeople. What I would hope is that our record has been good over that period of time and people would say that I had the right interest of all the various constituencies in mind along the way.

Mr. Collett: We're talking about things that facilitate being a competent leader. Certainly in our organization I've argued that an assignment overseas is, if not essential, is very, very beneficial to the leaders of today and tomorrow. Gabe, was your time in the U.K. indeed helpful in terms of the things you do today?

Mr. Shaheen: Well, it was a life experience as well a being a business experience. I had the pleasure of taking a high school and middle school kid out of school and moving them over to England in the middle of the school year. I was able to fire them up without them ever thinking through whether they really wanted to do it or not. But it was great for them in several ways.

In the business environment there are ways that are 20 and 30 years behind where we are, in terms of the products they sell. They sell what they call a pension, which we call an annuity. It has 40% first-year loads. Now, when was the last time you sold a deferred annuity with a 40% first-year load? But at the same time, in any place where you would park, and you pay to park everywhere, you never see a person taking money. Everything is automated. In the Fort Wayne airport, we’ve still got people sitting in booths taking your money when you leave. There’s an amazing difference in things where they are ahead of us, and things where they are behind us.

As far as the business experience, for me it was good in two ways. First, I had been in the reinsurance business. It put me in the direct business. I had to deal with agents for the first time. I had to deal with the marketing side and the sales management side. That’s inevitably a growth experience. Second, it put me in a situation where people knew nothing about me and I had to earn my credibility.

You have to get to know the players, and figure out the environment as to what's working and what isn't working. That's beneficial whether you're going somewhere outside the U.S. or not. But you have to understand the culture. And it takes a while to do that. And the easiest country to go to other then Canada is probably the U.K. because the language is, at least, pretty close. It's not the same, but it's pretty close. You learn to drive on the other side of the street. The press is different in what they do, and the industry regulation is different. It takes a while to figure that out and then start dealing with it. But the fact that you have to cope with different environments is a great developmental experience. It gives you an appreciation, if your companies are involved outside the U.S., of what people are dealing with. I'll give you an example of that.

There is a tremendous level of political and regulatory power in the U.K., much more than we have. There's no gridlock between the Prime Minister and the Parliament. Parliament controls who the Prime Minister will be. In 1997 the U.K. had their first change in political party in 16-17 years. When that new party came in and proposed what their budget was going to be, everyone's behavior changed instantly and conformed to what that proposal was, because it will pass. It's not going to be debated in Parliament for months and then compromised and everything else. What that party comes up with will become the law or regulation. They have potential for very quick changes in the regulatory environment, which is different than we have.

Also, it was difficult for me to determine how I should interpret what was published in the press, because it's very much a tabloid mentality, even in the newspapers that aren't in tabloid format. It's the same thing in business reporting. They really get on campaigns, they use strong language, and they'll say, “it's a disgusting industry” and things like that. If you're part of the culture, you can interpret the significance of what you're reading and deal with it, and know what you should do. When you come from outside the culture, you're not really sure how much to discount what's being said. Where is this really going to go? You don't have the history of seeing things like that in the past. You have to deal with the local culture wherever you are, and it differs everywhere. You've got experience with this, Bob.

Mr. Collett: Well, I was just going to ask a small follow-up about the last thing you said, “It's the rest of the world.” Do you have any sense that your experiences in one country helped you to adapt in another country? For example, after a while you know there's a new culture, you know there's a new language, but the things you learned in England somehow help you in Korea.

Mr. Shaheen: I think they do in one sense, in that you just learn that you have to be more open-minded, and you can't take things for granted. You will adapt more quickly the second time than you do the first time. But you're not going to learn that much in England that really applies in Korea. Would you agree based on your company’s work?

Mr. Collett: I would say the adaptability that you gain or is forced upon you in another country has served you well when the third country is involved.

Mr. Peterson: It has to do with my fright. If I had to lead an international organization right now, I cannot comprehend how you can possibly deal with all the cultural differences. I've been going to the Insurance Consortium of America meetings. We're somewhat provincial here in the U.S. We think we are the "be all and the end all," that everything started here and everything was developed here. But when you deal with professionals in another part of the world, you find out that they're not quite as backward as you thought. And very often they're 30, 40, and 50 years ahead of you, not just in economic and business issues, but on social issues as well. At least that's what I brought back from those meetings. And I think it's truly overwhelming to try and be the type of CEO that I am—a hands-on type individual—in that international environment.

Back in that provincial American way, when I first took over the individual insurance operation, the first thing I did was to visit every one of our sales managers in their offices or in their homes. I went out with them on calls, to find out what their life was like. I think it was very helpful to me. We work a payroll deduction market, so I would go out with the union representatives and things of that nature. Then when I took over the group department a couple of years later, I again went out to the group offices, met with their brokers, found out what their major issues were, because we tried to get our business through the brokerage community. And I think that gave me a feel for what obstacles our salespeople had to overcome. I can't envision a global CEO running around the world trying to find out what the issues are in Hong Kong, Singapore, Holland, Africa, or wherever you're going. That must take a different skill set than I can even grasp. How do you handle that one?

Mr. Shaheen: First of all, that issue is one that does concern me for U.S. life companies. I don't think in general that we have as much of a global outlook. I marvel at some of the abilities to lead a global organization that exists in some of the European headquarters. It isn't hands-on in the style that I think you were alluding to, but it's one of knowing how to manage. When to leave alone, when to intervene, and it can be Brazil on Monday, and Tokyo on Wednesday, and back somewhere in Eastern Europe on Friday. And some of the companies there seem to have a long history of being expert traders. Their commercial strength and global skills are very, very keenly honed.

I think that's less true in the U.S. I'm less familiar with Canada, but probably on relative terms they're somewhat more experienced than the U.S. I think that it is important that we get more experience. We've had such a fertile, local market that we haven't felt the need to go abroad to the same degree. That's been changing in the last 20 years, and there are some very notable exceptions. But I don't think we're training as many global leaders as some of the other countries and their companies.

The organization I'm with is not a life company, but a consulting organization. It's a global organization with a consensus required to do things globally, and it's a lot of fun, but it can be frustrating. With some Europeans and Australians in the same room, developing a consensus can be very, very challenging. But it's fun, it's rewarding, and I keep trying to learn how it's done.

Mr. Daniel J. McCarthy: I've had the pleasure of working with a lot of CEOs, actuaries, and others. The actuaries are different. I used to think it was because they were actuaries. Listening to both of you I'm beginning to think that maybe I had it wrong. Most of the actuary CEOs I have known have been up-through-the-ranks people. They've spent a long period of time in one company and worked their way up in that company. Many of the others I've known have, in fact, been transplanted at a very senior level, sometimes at the CEO level. I would appreciate your insights into how being an up-through-the-ranks person has influenced the way you operate as opposed to somebody coming in at the top from another company, often another environment entirely?

Mr. Shaheen: I've experienced both. In reinsurance, I came up through the ranks and then I was sent over to the U.K. where I came in from the outside. I don't know the people and I don't know the market. It's a lot easier to be more directive when you know the business, or you feel you know the business. I did spend a fair amount of time early on in the U.K., sitting down with people and asking them about our situation. What are we good at and what have we not been good at? I also did that with others around the corporation.

I think it's very important that you do that early on. Even when I moved back to the U.S. at Lincoln Life, it had been about 19 years since I'd been on the direct side at Lincoln. I sat down with each of my direct reports and others and asked them what our current situation was and where do we go? I'm not sure that in the long run it causes a difference in how you go about doing your job. But in the short run it certainly does, and you need to be careful that you don't make mistakes.

Mr. Peterson: That's probably a question that we should have Mike Corey or Evan Lindsey, or someone from one of those organizations answer. But you're right. I had written down the names of the CEOs with whom I've been dealing the last few years. And for the most part, they've come up through the ranks of their own company. There are a handful of them however, who have moved into new roles. I know Rod Rohda, who is heading up the Fidelity operations; the ex-Guardian guy, is a prime example. He's really at the cutting edge. I know Gary Eisenbarth, who used to work for Security Benefit over in Topeka, and now is with Mutual Trust in the Chicago area.

There's a comfort factor in working up through your own organization. You actually develop your staff as you move along. As you move from role to role, you may add one or two more people to that team. But that team has been in place for quite a while. When you bring in the new CEO from the outside, whether it's an actuary or a non-actuary, I think there's a tremendous pressure on the people around you. I think some of them fall by the wayside and you have to build a new team. I think whether you're an actuary or non-actuary that's the difference between going up vertically or coming in from the out side.

But that has also happened at lower levels. I think a number of actuaries have moved from chief actuary of one company to CFO of another company. Again, it's that question, can I work with the team that's there? Probably not. There will probably be some personality conflicts that will force you to do a little more outside recruiting to build that team. Whether it's at the CEO, chief operating officer (COO), or CFO level. Again, it's not the individual who is key, it's the team. If you can't build that team that can work together and is willing to sacrifice for the benefit of the organization, then you're just not going to be successful. I liken it to a basketball team or a football team, where one person just cannot excel if the others don't work with them.

Mr. Leslie W.G. Tutt: Some of the remarks I make I appreciate may not be entirely applicable to the U.S. But reference has been made to the U.K., so it seemed to be an opportunity for me to come in. I'm prompted in my remarks by what was said initially regarding the possibility that actuaries are not fulfilling the chief executive role in so many cases as they were at one time. And reference was made that perhaps that may not be so. Perhaps they may be fulfilling secondary roles as heads of some particular division. Certainly elsewhere than the U.S., the position of chief executive of a major life insurance company is not so often given now to actuaries as it was in the past.

Actuaries outside the U.S. are not achieving the senior ranks that they once did. I wonder whether it is a strategy adopted by the profession, which is having some influence on this. If an employer is told that, for example, in certain functions, such as valuation reserving and so on, he must appoint an actuary, he will go along with that. Then he asks, what is an actuary? And he is told an actuary is a Fellow of the local professional body. And then he asks, can I have any actuary of the professional body? And he is told, no, he must be certified in that particular sphere. And then he asks, when I get this actuary will he act for me entirely? And he is told, no, the actuary must comply with certain mandatory requirements. He says, now who is drawing up these mandatory requirements? Well, he is told, they are written by the local professional body. And he asks, can I dispose of this man's services if I don't like him? And he is told, well, not really, because the actuary is carrying out mandatory responsibilities. And you can't be free to dispense with his services in that way.

Does that have any rub off? Will the employer go along with all of this? Of course. In fact, he has no option but to comply. But if he goes along with all of this, is he going to employ a person who is subject to great rigidity? I don't want my chief executive to be a person who is rigid in his or her outlook. I want a person with flexibility in that role. Therefore he assures that perhaps the chief executive of this company is not an actuary. There's no reason why he or she should be. When he looks further down the list he says, well, I need an actuary for any of these appointments who has rigidity in his outlook, but I want a person who will work with me, who is flexible in his or her outlook, and will work for me in a flexible way.

I just want to know whether that is having any rub off in the point made in this discussion. But perhaps actuaries are not achieving the higher positions that they once did. In Germany, for example, where it is highly regulated, the actuary is restricted almost entirely to carrying out technical duties. In a life insurance company in Germany, the actuary has far less influence within the company than the salesforce. I wonder whether, as a profession, we are doing justice to ourselves in our attempt to restrict ourselves. Professional conduct, important as it is, needs to not restrict people from being flexible in the workplace. People need to develop their talents in a flexible way in the interest of the company for which they are working.

Mr. Collett: I think in a sense you may have given the proof to the answer of your own question. If we're perceived as inflexible or forced into being inflexible, that surely does not fit the definition or easily fit the mold of the chief executive where things are rarely black and white, and you're making decision calls based on a 60% probability perhaps or 51% sometimes. I guess another aspect of that would be if those kinds of responsibilities for the actuary cause her or him to be perceived as unsympathetic to the commercial side of our business, to the goals of a for-profit institution. For example, if someone is exclusively or chiefly focused on the interest of the other side, the regulator or something, it seems to me that also might make the actuary more suspect as a CEO candidate.

Mr. Peterson: I couldn't agree with you more. I see in many instances where actuaries are being funneled into a very narrow activity the first few years of their careers. And that's not good, because I think you'll continue to go in that very narrow route, hence, the need for rotation programs and exposing the actuaries to non-actuarial work. What I've tried to do in our company, especially with the younger actuaries, younger underwriters, and younger systems people as well, is get them exposure to other areas of the company. Get them exposed to managerial, supervisory responsibility, get them exposed to bottom-line responsibilities. Gabe's one-man operation is the greatest preparation for ultimate leadership that you can envision. I'd like to see more of that.

I believe the SOA is focusing on many of those areas right now. It is trying to make a complete actuary, not just a purely technical actuary. I certainly hope so. I would think that is the direction most of our business organizations, our economic organizations, are going. When they can identify people who seem to have the ability to be leaders, they're giving them exposure to different roles, so that they are not stereotyped.

Mr. Shaheen: I suspect that varies some by company. But when I think about your point, I think about this issue of being involved and running a business rather than doing a particular function in the company.

Regulation actually is moving in the direction of allowing actuaries to be more flexible and applying more judgment than we've been allowed in the past. In terms of regulation, the U.S. is becoming more like Canada and more like some parts of Europe. Maybe that will be a positive influence as we go forward.

Ms. Melissa C. Schwarz: You each talked about the actuary that you admire. Did each of you have someone that you would consider a mentor?

Mr. Shaheen: I didn't and I actually don't like the whole idea of mentorship. I think it's brought a lot of problems. Because the basic premise is that you need somebody looking out for you and that person is going to help you develop. What happens if that person is no longer with the company or political things go on and that sort of thing? I don't feel like I had a mentor. There may be a person that felt like he was being a mentor to me. I hope if that's the case, he doesn't feel rejected. The best advice I tend to give people is to do the very best job you can at what you're asked to do in a way that makes everybody want you on their team. If you do that, you don't have to focus on a particular person or what a particular person thinks of you or will do for you.

Mr. Collett: I would say, Gabe, that the last step of a successful mentoring program is rejection of mentor. And I'm not a fan of formal mentoring programs that are highly structured. I haven't seen many successful examples there. I think a mentor or a series of mentors is not someone to look out for you so much as someone to recognize your strengths and help you develop them, and someone to set good examples. It needn't be someone over a long period of time. It could be a series of people that you can learn from.

Mr. Shaheen: I think it's the job of the manager to help his or her people understand that.

Mr. Peterson: I agree wholeheartedly.

Mr. Shaheen: We disagreed. Which one of us do you agree with?

Mr. Peterson: I agree with Gabe on this one. Even though I reported to one individual for 20 years, I don't think he would consider he was mentoring me. We, to some extent, complemented one another. He had some skills and I had other skills and we worked together as a team. Now maybe he feels he was mentoring me along the way. But where I picked up some knowledge was with any industry activities dealing with the HIAA, the ACLI, with the leaders of other companies. I think over the years I picked up some of the characteristics or skill sets of some of those individuals, and did follow what they were doing with their company, or in their particular niche. Maybe you build your own set of mentors above you. I'm in retirement now, and I'm still learning. You never stop learning because the environment around you is continuously changing.

If you're always going to look out that back window and say, "That's the way it was, so I know everything there is to know," you're wrong. The front window is where the action is. And you have to stay alert to what's going on there if you're going to be a successful leader.

Mr. Collett: Let's move into another area. Each of you has referred to filling in behind you and the support team that you've built. I guess the question is simply, do you see actuaries as a very fertile ground for chief financial officers or chief operating officers? How do actuaries stack up when you're looking at promotion opportunities?

Mr. Peterson: Well, in our particular company we have probably 60 people working through the exams at different levels. We're probably in the double digits with FSAs at this stage of the game. We have some bright, capable, outgoing people who I think can fill all those roles. I think it's our responsibility to give them exposure and our opportunity to develop these skills.

We've lost a couple of people to other companies that we would very much have liked to hang on to. I'm sure Lincoln's gone through the same thing. We've had some people who started with the Met 40 years ago. They have been very, very successful, not necessarily with the Met, although some of them did stay there, as very senior officers and CEOs of other companies. My predecessor, Ralph Eckert, was with a group of people who were with New York Life in the early 1950s, and again, they were uniquely successful as well. Many of them, in addition to Ralph, ended up as CEOs. John Fibiger, Bill Dreher, Joe Austin, and others all rose to the top as well. If you can identify people who seem to have a skill to lead others, that's where you get your chief actuary, your CFO. That leadership skill is the one that has to be developed. How it's developed I don't know.

Mr. Shaheen: I think actuaries can do all kinds of different jobs, even to the point of sales-type things. In fact, there are a number of actuaries in reinsurance sales throughout the industry, because they've got to design deals and put them together.

I particularly like the idea of an actuary as CFO, even though I don't have one right now. With just the basic understanding of the business that they start with, I think they can be really effective. And if you have some actuarial training and some accounting background, that's an invaluable assistance to me.

Mr. Peterson: About 30 years ago, we had a very good vice president of group underwriting. The field said he was in charge of sales prevention. I met him at his house on a Saturday morning to have a little conversation. I asked him if he would be willing to take over the salesforce and give up the underwriting department. He was sort of taken aback. He knew all the loopholes. He knew how to get through the underwriting department. He took a stodgy group sales operation that was averaging about $6 million a year, and three years later we were selling 10-15 times that amount. He was the guy who was going up one route and he had other skills. He was gregarious, he was outgoing, he related very well to the salespeople. And he was better as a sales executive than as an underwriter. Three years later he was running group operations and ran it for 10 years very successfully. Whether you're an actuary or an underwriter I think those opportunities should be available.

Mr. William J. Gooden: In public circles and in the press, you downplay the idea of being an actuary, whether you're a CEO or not. I get the impression sometimes that happens. I just want your views on that.

Mr. Shaheen: I wouldn't make any conscious effort to downplay it. Nor would I trumpet it very much, I don't think. Don, you may have had more exposure there than what I have had.

Mr. Peterson: I didn't really pay attention one way or the other. I didn't identify myself as an actuary CEO. The CEO of an insurance company had to come up some route. I could have been an underwriter, CEO, or lawyer CEO. I just happened to be an actuary CEO. I did not trumpet it. My business card just had Donald M. Peterson, without any initials or anything after it, because I was more proud of the CEO than any credits that way. Maybe that was a mistake.

Mr. Shaheen: There certainly are countries in the world where the actuary is viewed as a very skilled, but a very narrow technical specialist. When you're attempting to consult in a country such as that you might serve yourself better not to emphasize that. There's no necessary reason to hide those letters, but to describe yourself as a consulting actuary may not be as appropriate as some other title, perhaps, for example, in an Asian country.

Mr. Peterson: When I deal with CEOs in other industries, United Way, or through civic activities, I'm somewhat surprised that they may not have as broad an understanding of their products and their markets as we in the insurance business do. I think a CEO is far more transferable in the commodities area, where you're going from P&C to someplace else without a grasp of the product. I think we have a great confidence, the insurance company CEO, whether it is health insurance or life insurance, because we have a better grasp of all the phases of our business. I think that does distinguish us from certain other industries.

CEOs are very transferable outside the insurance industry. What we're seeing now is a coming together of the brokerage community, the banks, and the insurance industry. We're seeing a lot of bankers rising to the top of the initial pyramids. Now whether that's going to continue or if actuaries will work their way to the top of the 21st century organizations is up for you folks in the audience to address. But I, for one, feel that even in that assemblage of activities there's no one better suited to rise to the top of the pyramid then an actuary.

Mr. Peterson: The one instance in which I would downplay being an actuary is once you reach a vice president level, you get asked to be on a certain number of boards of local organizations. If you're not careful, they will all ask you to be their treasurer.

Mr. Collett: I can attest to that. You wind up on the finance committee and then you'll be chair of the finance committee.

To add on to your comment, Don, I think we all know examples where people came into our business as CEOs perhaps, and thought that our business was only about investing money and didn't understand the products, didn't understand the service aspects of the industry, and could often get into trouble. So I think you're right. We have some unique advantages there.

Question for each of you. What's it like, a day in the life of a CEO? You can embellish if you choose, but how busy is the day?

Mr. Collett: How's today going, Gabe?

Mr. Shaheen: I jotted down something here. Because this is a challenge of having your name out there as the head of an organization, you've got to deal with all these constituencies. They all have expectations of you. You've got customers, agents, and brokers whom you do business with. Depending on how you do business, you can have the wholesaling force, you may have strategic partners, and we do in our business. You have employees and managers of all kinds that have expectations of you and what you're doing to make their life better. You’ve got industry organizations that you're involved with, regulators, and even politicians. You deal with the board of directors, rating agencies, stock analysts, and shareholders—if you're a public company. You deal with your community and we have a big issue about being a good corporate citizen. And the problem is, that you have to make all of these constituents feel important, and they feel important if they get some of your time. If they don't get some of your time then they start feeling neglected.

Actuaries go through this. When a non-actuary is running the company the actuaries wonder, does this person appreciate actuaries, or are we not important anymore once an actuary isn’t running the company? At the same time you have, and Neal Arnold is the person that first said this to me, an economy of communication with your actuaries, or you understand each other pretty quickly, and you don't have to spend as much time explaining as you would with other people. But all those entities have to be made to feel important. You've got constant demands on your time.

I've been in my job for a year and nine months now, so I’m still relatively new, and I'm still making all these people feel important. It would be a luxury for me to be able to come out to the SOA meeting, and be here on time, and stay until the meeting ends on Wednesday and then go home. I just can't do that. I got on one of our company planes. There were six of us on the plane flying out to the SOA meeting. However, the company plane landed in Kansas City Sunday afternoon, and dropped me off and brought the other five out here. I had dinner Sunday with our agency head in Kansas City. The next morning I went into his office and did about a 45-minute presentation and Q&A with key people he gathered together, because I could be there that day. He also arranged to have their quarterly compliance meeting to take advantage of my being there. Then I went to the airport, caught a flight to Denver, and went in to our Denver agency and spent some time with the agency head there and two of his key producers. Then I got on the plane and came to San Francisco. So I got here about seven o'clock last night.

On the plane to Kansas City, I had my briefcase, a carry-on, and a garment bag to deal with, because we have this formal event with Tony Bennett tonight. I asked if anyone on the plane would be willing to take my garment bag with them on to San Francisco and I would pick it up on Monday. Jeff Dellinger was nice enough to do that. So he brought my garment bag so I could, when leaving Kansas City, just get on the plane, not have to check a bag, not have to wait the extra 20 minutes in Denver to get the bag, because you just don't have the time.

I got here at seven o'clock last night and found that the hotel is overbooked. I don't have a room even though I've had a reservation. Now they're starting to call and see if they can find me another room. After about 20 minutes of waiting, it's obvious that there's kind of a problem finding a room. I said, "I'm going to go down to the reception." I'm going to find Jeff and I'm going to get my garment bag out of his room, so that when I do have a room to go to I can go and find it. I'm also concerned about the reception ending before I find Jeff, and then I can't find my bag that's got the suit in it.

Now you get in this room, and how many people were in that reception last night? I've got to find Jeff. Fortunately Jeff showed up there and somebody came and got me. I got my bag. It took an hour and 20 minutes for them to find a room anywhere reasonably close by. I ended up with a room for last night. I still don't have a room for tonight.

I came over this morning. We had a breakfast set up at seven o'clock, and that's the only time we had to talk about what we were going to do in this session. And then from there I went up to Larry Rollins' room—Larry Rollins is head of Lincoln Reinsurance. Because our third-quarter results were released early this morning, and we always have a conference call to stock analysts, which occurs at 12 o'clock New York time the day our earnings are released, which was nine o'clock here. From 8:45 a.m. to 9:45 a.m. I was in there. I dealt with that and then came down here.

This afternoon I'm going to see our agency in San Ramone, come back and go to the Tony Bennett thing, if I have a place to change clothes. And then tomorrow morning I'll go see our other agency here in San Francisco. Then I'll get on the plane and go somewhere else. That's what 36 hours in the life of a CEO is like.

Mr. Peterson: I'm glad to hear that Gabe is doing all the agency visits that I thought were so important. You guys will be even a tougher competitor with you doing that.

The job you really aspire to is not to be the CEO. The job you want is to be the COO. That is the greatest job in the world. I had that for eight years under Ralph, and you were really doing the important things. Everything you did contributed to the bottom line. You had a full grasp of what affected that bottom line. And you didn't have to bother with any of this ceremonial stuff. When I took over as CEO I didn't realize how much ceremonial stuff was involved, with the community, the outside world, and with your own employees. It was important ceremonial stuff. It was important to get involved with the community. It was important to get involved with the HIAA and the ACLI . It was important to get involved with your political leaders, and it was important to get involved with Washington. But the day wasn't long enough. When after eight years as CEO, and I did write to our board and said, "A year from now I would like to step down." I did refer to the fact that it was a 24-hour-a-day, seven-day-a-week job, and it absolutely is.

The frustrating thing is, during some of those hours you don't feel as though you're maximizing your capability by doing the things you have to do. But it is important that you do them, because it doesn't carry the impression that you really want to convey. It does eat away on you when you have family activities. I've got the 12th grandchild arriving now, and as I spelled that out to the board, I said, "I think you can just be a CEO for a certain period of time and then it's time for someone else to run through that gamut." For those people who are able to do it from the time they're 30 until they're 80, they must have developed a skill that I have not been able to find.

Mr. Collett: It's a 24/7 kind of job. Does that mean you worry a lot at night? And if so, what do you worry about?

Mr. Peterson: You continually worry. You worry about the uncertainty. You worry about who is going to do something to you tomorrow and you don't even know they exist. What politician is going to change the law? What irrational competitor is going to do something to foul up the marketplace? Which one of your employees is going to do something dumb? Which one of your customers is going to do something illogical that's going to hurt your company? You're continually thinking these things and that's why I think there's a limited life span to being the acting CEO. And mine ended April 1, 1999.

Mr. Shaheen: What he says is true. It is a 24/7 kind of thing. I tell my wife that I never stop working because you're always thinking about something that has something to do with the job. Whether you're in the shower or sitting there at the Civic Theater on Friday night, you're kind of half watching the play and you're half still working out something in your mind. I know a lot of you do this too. You keep a little notepad by the bed, because sometimes you wake up and your write something down. Then you can go back to sleep if you do that. If you don't, you lie there and think about it and it kind of drives you crazy.

When a policyholder gets upset or an agent gets upset what do they do? Nobody ever says, “Write a letter to the actuary, they'll take care of you.” You write a letter to the president of the company. That's how you get their attention. They know you have to deal with all of it one way or another. There's an incredible amount of stuff that comes in that you have to sort through and make decisions on how much time you spend on dealing with something.

Mr. Collett: How about some advice for those of us who might wish to be CEOs of major life insurance companies?

Mr. Shaheen: Well, the only advice I give are the two pieces I’ve stated. Do the best that you can do at what you're doing. Do it in a way that everybody wants you to be on his or her team. And be involved in running the business. For the younger people in the room, if you're pricing a product or reserving something or whatever you're doing, understand the implications of it as it pertains to all the business. What are the salespeople trying to accomplish? What are the financial management people trying to accomplish? If you get involved in running the whole business, you learn more, you understand more, and people will notice that.

Mr. Collett: Try to understand the big picture.

Mr. Peterson: Amass knowledge as you go along. Again, you're not going to make one strategic decision that's going to get you the job or keep you the job. I think it's the people that you surround yourself with, so work hard at building a team that you can move along with you. I think the word integrity is an important word. I think if on every decision you make, if you give consideration to how this decision will affect the company, your customers, and the industry in which you operate, ultimately you will end up making the right decision.

We've had some interesting challenges in the life insurance field, especially over the last decade or so with issues that might even be somewhat actuarial in nature. When you see some of the decisions that people have made without giving thought to integrity, that's probably part of those problems. I think it's a question of putting yourself in the other people's shoes with regard to every decision you make, and if you do that you'll be successful.

Mr. Collett: You've told us truthfully about how hard the job is. But let me say, you've been president then chairman for quite a long period of time, and have had a very distinguished career. Let me ask you, would you do it all over again?

Mr. Peterson: Oh yes. When we were exchanging e-mail I said, "I wish I were 35 years old right now." The interesting things are going to be happening in the 21st century. Not just in this industry, but the global economy is going to create just fabulous, fabulous challenges. And who better then an actuary to try and respond to them? I wish I could do it over again.

Mr. Collett: Gabe, you're at a different stage. But somebody asked earlier about what you'd like to be remembered for, and you are probably not thinking in those terms yet, but are there a couple of things that really are very high on your agenda for your term in office? Things you hope that you and/or the company will accomplish?

Mr. Shaheen: What I really spend most of my time doing is trying to do things that keep us all focused on the important things that we're trying to get done, because there's always a potential for a great amount of distraction, and it doesn't take very much distraction before you find an organization isn't accomplishing what it wants to accomplish. In the short run, that's where my main focus is. Trying to keep people looking at the right things and thinking about the right things. I will say, as kind of a closing comment, that Don and I have talked about all the various things that you get involved in, and the constituents you have to pay attention to and all that sort of thing. There's not one of them that's not interesting, that's not a challenge, and that if you keep it in proper perspective isn't enjoyable trying to work on. And so I think we end up with a high level of energy every day as we go about our work, trying to make sure we are moving ever forward.

Mr. John R. Buss: You mentioned a lot about the knowledge that you've acquired. But one of the things you always hear is, it's not what you know but who you know. What about the office politics for the young actuary who is aspiring to that higher position? What balance do you suggest between the ability and the knowledge of business and development of relationships with those in decision-making positions?

Mr. Shaheen: My reaction to that is similar to my reaction on the mentors. People react to those who they feel work on politicking rather than working on trying to get the company's business done. I think if you set out a plan to develop these relationships, because that's going to help you, it's easy to go overboard on that and end up being destructive rather than constructive to what you're trying to get done. I really do believe that if you do the best job you can do at what you're doing, and you conduct yourself properly in the way that you do that, people notice that and that's what serves you well in the long run. That's what allows people to realize there's potential in you.

Mr. Peterson: I think as you make your way to the top and you look down, the politicking becomes very, very, obvious. I would concentrate a heck of a lot more on getting the job done and working cooperatively with everyone, and not trying to beat out Charlie for that next job. It's not the short way there, but rest assured the short way there is to be a team player.

Mr. Shaheen: One of the biggest problems that every manager at a high level would tell you is that if I had to think about replacing every member of my staff, I can't come up with enough ideas of who would fill those positions. The more that you would do things in carrying out your job that makes you a very solid person that people want on their team, the better off you are.