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Extra! Extra! Executive Training for Actuaries: How to Get the Opportunities You Want

Track: Management and Personal Development

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Summary: The lecturers address the skills needed by actuaries to compete for business opportunities leading to advancement. Such opportunities are increasingly going to graduates of master of business administration programs and other professionals. This presentation spells out one company's solution to this issue—an "executive training program" for actuaries developed by Metropolitan Life Insurance Company. Types of skills include:

- *Communication*
- *Management*
- *Crossover (a skill set to compete with the skill set of graduates of master of business administration programs)*
- *General insurance knowledge*
- *Leadership*

Mr. Philip J. Lehpamer: I'm the moderator of this session and also a presenter. I'm vice president and actuary at Metropolitan Life Insurance Company in New York. Our main presenter is Simcha Segal. Sim is an assistant vice president and actuary at Metropolitan Life Insurance Company and is one of the developers of the Extra program.

Many of the modules within this presentation are still being developed and have not been implemented. Their actual formats, once completely developed, may be very different from what is described here. It's even possible that some of these modules will never be implemented. Sim and I will try to make clear what is in place and what is being developed.

Mr. Simcha A. Segal: First, we're going to discuss the goals of the Extra program. We're going to cover what we expect out of the program, as well as what we don't expect out of the program. Then we're going to move on to

logistics, where we will discuss some of the characteristics of the program. Then we'll get right into the Extra training program.

There are five categories, or skill sets, that we have defined for the Extra program: management, communication, leadership, general insurance knowledge, and what we call crossover skills.

Let's begin with the goals. There are four goals we expect out of the program. The first is to improve key nontraditional skills. There's a perception that as actuaries, we lack certain skills. This inhibits advancement and inhibits opportunities in general. We expect to improve on that. The second goal is to speed development of our actuarial students. There are key business elements not covered in the exams. We feel we can convey a lot of that in these modules. Also, we'd like to speed up the leadership skills of some of our actuarial students. The third goal is to broaden our understanding of the business—to develop an executive perspective, as well as the perspective of other professionals, when looking at things. Finally, the fourth goal is to increase marketability, and that's both inside a company and outside a company. It's very important in these times, as our actuarial turf is being threatened perhaps more than ever before by financial engineers, economists, those with a master of business administration (M.B.A.) degree, and bankers.

Let's move on to what we do not expect from the program. We don't expect it to be comprehensive. Sometimes experience is the only teacher. You can't train for everything. We don't expect to have an immediate impact on perception. There's always going to be a gap between perception and reality. It'll take time to close that gap because stereotypes take a long time to die out. Third, we don't expect to have a direct impact on opportunities. We can improve our skills. We can even improve the perception of our skills. But senior actuaries in the company still need to push for opportunities for themselves. Last, we don't expect to improve everybody. You have to be open to change. That's the first step. The second step is to recognize what you need to work on—what needs improvement—and we hope that some of the modules here will help our actuaries do that.

Now let's move on to program characteristics. As Phil said, some of the modules are being developed and we're still constructing them, so a lot of things may change. The program may not be developed in its exact form. The target audience is still not determined. We believe that most of the modules that we're going to describe are appealing and will be viable for most actuaries. Some of the modules will be only available to some actuaries, and other modules will be amenable or suitable for more entry-level actuaries.

The program will work on either a packaging or a menu basis. If we use the menu concept, basically actuaries can pick and choose whatever modules they want, and there is some appeal to that. There's also a downside because some actuaries might be more resistant to taking modules that cover skills that need improvement. We're thinking about packaging the program. If we did this, the

idea would be that you'd have to take x modules per year and y maintenance sessions per year to maintain qualification, and then there would be some incentive to completing virtually the entire program.

The structure of the program includes the five skill sets or categories that we talked about before: management, communication, leadership, general insurance knowledge, and crossover. In the program structure, underneath each of these skill sets or categories are 16 different modules. Each of the modules is a self-contained little program.

For each of the modules we are going to discuss three things. First, we're going to discuss the goals. What did we have in mind for each of the modules? We will identify the skills intended to be improved through the module. Second, we'll discuss content. This is the meat of the modules. We're going to discuss what actually is covered. And third, we're going to discuss the approach or the format. Is the module a two-day seminar? Is it a half-day informal session? Are there ongoing maintenance sessions?

Mr. Lehpamer: We have two modules under the category titled "Management." First, we want some of our actuaries to have interviewing skills, and, second, we want all of them to have basic management skills.

Our goals with respect to interviewing may be summarized by two points. First, we want better new entrants. Second, once the person is placed, we want to make better use and retention of that individual. If we are interviewing a college graduate who wants to join our actuarial student program, then one of the key items that an interviewer has to determine is whether the applicant has the ability and the determination to pass the actuarial examinations. If for some reason, based on the résumé, the past record, or the interview process itself, the interviewers feel that the applicant will not complete the examinations, then we will not hire that person into our actuarial student program.

The applicant is interviewed by three individuals: first, an associate; second, a fellow; and third, the manager of our actuarial student program. The three interviewers complete an evaluation form on the applicant and then discuss the applicant if there is any disagreement in the hiring recommendation. Besides the ability to pass the examinations, the interviewers try to discern if the person has the necessary people skills to develop into a manager, a leader, and an officer of the company. Management potential as evaluated by interpersonal skills, along with exam potential, are the key factors in the hiring recommendation.

Also, the interviewers will try to understand the commitment level of the applicant. Does the person really understand what he or she is getting into by saying, "I'm going to take exams and become an actuary"? Sometimes we find the applicant just wants a job and is clueless about the nature of the profession and the time commitment necessary to pass exams and do excellent work on the job.

The second goal of interviewing involves better use and retention of the individual. Once the applicant is hired and on the payroll, and as you work with that person through rating sessions or performance management processes, you should be able to discern what that individual needs in order to develop into a better and more effective employee.

The interviewer has to be prepared. He or she has to read the résumé before the interview and notice items on that résumé that should be discussed during the interview. For example, if there are any large gaps in time on the résumé, the interviewer would want to find out what the applicant was doing during that time period. Besides doing some homework by reading the résumé and preparing some questions, the interviewer should have a flexible structure in place as to how the interview will proceed.

Generally, that would include one or two icebreaker questions or topics that could get the interview rolling. These topics might be work-related or related to some current event. An example would be an interview that I conducted a couple years ago, where the applicant was a CPA from Arthur Andersen. At that time *The Wall Street Journal* was full of articles about the split of Andersen into Andersen Accounting and Andersen Consulting. It was natural to begin the interview with a question about what was happening there. I did that, and the applicant just started talking about the firm—why he was leaving, his goals, and his objectives. It was really a natural way to structure that particular interview. In any case, the interviewer should have a game plan, and how the interview should proceed should be somewhat structured in the mind of the interviewer. What the interviewer wants to learn from or about the applicant should be clear in the mind of the interviewer before the interview begins.

You have to be careful about the types of questions you ask. Every state has fair-employment laws in place, and some questions are illegal to ask during the interview process. You need to know your own state laws and what they say. For example, "How many children do you have?" is generally an inappropriate question having no bearing on the work being applied for. You would structure the question as, "Travel is an important part of the job for which you are interviewing. Would you be willing to travel as needed by the job?" or, "Would you be willing to relocate, if necessary?" In general, open-ended questions that invite further discussion are recommended, and the skill to ask those questions naturally during an interview is a skill that can be learned.

Finally, questions that hone in on what the applicant can do and will do, as well as how the applicant will fit into your corporate environment, are important. The "can-do" questions objectively determine what the applicant can do or has accomplished. For example, the applicant has passed two actuarial exams, the applicant can calculate derivatives and knows basic integration, and the applicant knows Excel and spreadsheets. The "will-do" questions attempt to discern motivation on the part of the applicant. How might the applicant deal with setbacks and adversity? Just how determined is the applicant about attempting to pass all the actuarial examinations? And questions of "fit" have to do with the

corporate culture and whether the applicant is likely to be happy and productive within your environment.

Our approach to interviewing skills is a one-day seminar. This course is in place and has been for some time. It is taught by our human resources (HR) staff and supplemented by our actuarial student program staff, which gathers all the FSA interviewers together periodically to review our evaluation form and procedures. Many of our FSA interviewers also participate in college recruiting, visiting various college campuses during career days.

The basic management skills module is not completely in place. Our company has a very extensive performance management course in place for all officers and managers. All of our actuaries go through this corporate training and subsequent follow-up program. The module that is being presented here is in addition to the corporate program and would concentrate on establishing appropriate challenges for actuaries. The goals for this module are: How do we motivate employees to be happy and productive on the job? How do we increase efficiency, attract better employees, and save time?

The content of this module concentrates on one-on-one goal setting between a manager and a subordinate and then frequent feedback, both positive and negative. The fully trained manager will be able to negotiate key goals with measurable outcomes and then use those outcomes to determine rewards. The employee should have the established goals written on a single sheet of paper and should reread the goals often. The employee should check his or her performance and see if behavior matches the stated goals. If the goals become outdated, they should be revised. There should be no surprises in this dynamic goal-setting environment when it comes time to deliver a formal rating. The effective manager should let employees know immediately how projects are going. Especially if an employee is new to a job and starts to do something right, the manager should reinforce that behavior immediately with positive feedback and then pause for impact. Negative feedback should also be quickly conveyed, but in private.

Our approach to this basic management module is a two-day professional seminar. It would be taught by our Financial Management University (FMU), which is our in-house training facility for financial professionals. FMU offers courses in GAAP accounting, capital management, and asset/liability matching. These courses have been developed and are taught by actuaries and accountants. It would be a natural to enhance our corporate training and performance management by structuring a seminar for financial professionals. The FMU instructors of this module could also serve as ongoing mentors, keeping our actuaries sharp with respect to some of these basic management skills.

Mr. Segal: There are four modules in the communication skills set: presentation skills, writing skills, listening skills, and personality analysis. The number one communication problem that I find we as actuaries have is that we can't

communicate, and when we try to communicate we use too much detail and technical information. These modules target improving that skill.

We start with presentation skills. There are four goals. The first one is to improve your professional image. Studies show that two-thirds of your message comes from your professional image and your presentation, not from your words or your content, much to our chagrin sometimes. The second goal is to increase recognition opportunities. If you do the work but, because of lack of skills or shyness you don't get up and tell a group of people in your company that you've done it, then in management's mind, did you really do the work? This is important.

The third goal is to reduce anxiety. It's said that public speaking is the number one fear, ahead of the fear of death and the fear of flying. It's almost as if people would rather be in a plane crash than get up in front of a crowd and speak. It's an important thing to work on, and this module definitely does reduce the anxiety of presenting. The last goal is to end the actuary jokes.

The first item in the content of this module is that there are two types of presentations: an update (a financial earnings report) and a proposal (an attempt to sell something). They're very different approaches. The effective use of charts involves media and preparation. This module teaches you how to use different media and how to prepare.

Layering detail and learning how to build a presentation are important. We tend to add a lot of detail to our presentations. This module teaches you how to build it in layers so that you have select slides you can pull out from the entire group of slides if you have a shorter time slot than you anticipated. There are a few slides that represent many. You can go into detail or back to a quicker presentation. That's a nice skill. Presentation technique is the heart of the module. This is walking and talking, and actually making the presentation—for example, not turning your back on the audience for an extended period of time. This is covered in presentation techniques. Finally, the skill of handling questions and answers, including how to handle an antagonistic questioner who is monopolizing all the time, is covered.

Our approach to this module is a two-day professional seminar. It's currently in place. It predates Extra, but if we use the packaging program, it will be part of the program. Live practice is a key to presentation skills, including immediate oral and video feedback. The way the program is run is that the attendees present in front of one another, taking turns. They get immediate, candid feedback orally from the instructor and from the other attendees. Then they view a videotape of what they looked like, and they do it again the next day. Semiannual practice workshops are no longer held at the company. However, the Extra program would reinstitute them, because we believe you need to practice your presentation skills in order to maintain them.

The second communication skills module is basic writing skills. There are three goals. Improving your professional image is an important goal. Whether it's snail mail or e-mail, you're representing yourself. The second goal is to get your message across clearly and concisely. George Bernard Shaw once said, "The greatest problem with written communication is the illusion that it's actually been accomplished." Getting your message across clearly and concisely is important.

The third goal is to save time. How many times have you sent a quick e-mail and then found that you have to follow up through a whole trail of carbon copies and confusion? Perhaps you had to schedule meetings and phone calls to finally express what you really intended to express the first time. You can definitely save time if you can learn how to write effectively. It actually takes longer to write a shorter, but better, memo. I think it was Charles Dickens who wrote a long letter to a friend, and he closed the letter with an apology to his friend, saying he would have written a shorter letter but didn't have the time. It does take a long time to whittle your writing down, and that is an investment of time.

Let's move on to the content of this module. There are two leaps of faith you have to take in order to get the benefit of this module. The first leap of faith is that people don't read your memos. They really don't. They skim them at best. Second, people don't understand your memos. If you ever have a chance, give your memo to an associate and ask her to read it. Watch her face. Inevitably, you'll start to see a scrunching up of her face. The scrunching up tells you the memo is unclear because there's a lot that goes on in your head that's not down on the page when you're not writing effectively.

How important is it to write clearly? There's a story I like about General Ulysses S. Grant. He had an addle-brained soldier he would keep just outside his office for the purpose of reviewing his written orders before they went out to the troops. He would bring the soldier in. If he understood these orders, General Grant would leave them unchanged. If the orders were not clear to this addle-brained soldier, Grant would rewrite them. It's very important to make things extremely clear, and I think that's illustrated in General Grant's approach.

Conciseness means using fewer pages, fewer paragraphs, fewer sentences, fewer words, and fewer syllables. That is very important, and this module teaches you how to eliminate the words you have in your memo that don't need to be there. You can take certain words out, and you haven't affected the meaning. Definitely, more people will read a short memo.

As for readability, there are all types of scorings of written material. Generally, you want to shoot for grade levels between six and ten. Even though your audience may be very educated, it still is much easier to grasp things and understand them quickly if the writing is between a sixth- and tenth-grade level.

Writing should also be newsworthy. What we mean by this is the triangle of news. Our natural tendency is to write chronologically, with a lot of explanation. However, notice how newspapers handle stories. First, you have a two- or

three-word headline. Right away you know if you want to read more. The first couple sentences tell you effectively what you need to know. If you want more detail, you can delve in further. That's the way we need to write memos. After you finish writing a memo, think about what you would explain to the readers after they had read your memo. That's what you should put at the top of the memo. Once you're done writing your memo, take a look at it. Take a look at the very first line. If only the first line went out to the readers, would they take the action you want them to take? Would they know the critical piece of information you want to convey? If the answer is yes, then you're writing in a newsworthy fashion.

If you've ever seen marketing memos, they're very effective at communicating. Often memos will say, "Mark, we really appreciate your involvement in that project, Mark, and you and your staff have done such a great job, and sincerely, Mark, best wishes." They use the name of the reader often. When people in marketing meet you, they'll shake your hand, look you in the eye, and call you by your name several times. It's perception versus reality. They may only know your name and not know very much about you, but you feel different when someone mentions your name. You feel recognized. You feel they're really directing it at you. The sweetest word to the reader is the reader's name. If you can use the reader's name appropriately in a memo, it will be hard for the person not to read the entire memo.

Next, we'll move on to approach. This module is a one-day professional seminar that is in place. You presubmit memos you've written, and then the instructors tear them apart and teach you what you can improve on. Finally, we're recommending annual practice workshops for this module in order to keep individuals sharp.

The third module involves listening skills. There are two goals: more effective communication and improved relationships. This module should improve relationships both at work and outside of work. I find that this is my favorite module. There are very few good listeners out there. It's an extremely difficult task. But if you work on this, you'll find that your relationships improve, you will understand people better, and you can gain a lot.

I think the following has happened to everyone in this room: You've been talking to someone, and you see he or she's not listening. You challenge him or her on it. He or she says, "No, I was listening," and can actually play back a significant part of the conversation and make it seem as if he or she were listening. In fact, he or she was hearing, but he or she wasn't listening. The first time he or she was actually listening to your words was when he or she was playing them back, because *listening* is formed from two different Anglo-Saxon words—one meaning "hearing" and the other meaning "waiting in suspense." *Listening* equals *hearing*, and each has an intense psychological relationship with the other.

Let's move on to content. There are three barriers to effective communication. Barriers are communication roadblocks. Barriers tend to inhibit the expression of

feelings, which is often the most important part of a message. As actuaries, we focus on non-emotional things, but emotion and feelings are often the key drivers in an issue. There are three categories of barriers—judging, sending solutions, and avoiding—and there are numerous examples under each one. I'm just going to give you one or two examples of each. One example of judging is criticizing. How many of us are guilty of that during a conversation? Labeling is another communications roadblock. Labeling turns people off, and it's a roadblock to effective listening.

Another category of a barrier is sending solutions. An example of this might be trying to fix people's problems when they're talking to you. This is very insulting, because when people tell you a problem, they've thought a lot about it already. If you just very quickly say to them, "Oh, well, all you need to do is this," that can be insulting. Another example of sending solutions is moralizing—saying someone should have done this or shouldn't have done that. Moralizing is also a communications roadblock. If you think about it, it's very tough to avoid these types of things, but they actually do inhibit good conversation and listening.

The third example of a barrier is avoiding, and I believe we've all run into this. You're talking to someone. He or she doesn't really want to deal with the issue, so he or she just talks about something else. He or she just changes the channel. Avoiding is sometimes intentional and sometimes it's unintentional, but it's always a barrier.

Now that we know what not to do, let's move on to the three listening skills we should have. Attending is the first of three listening skills that we will talk about. Attending is giving your full physical attention to the speaker. This is very important because research shows that most communication is nonverbal. There are four aspects of attending. The first is posture. You should be inclining a little bit towards the speaker.

The second type of posture you have to watch for is openness. You shouldn't be crossing your arms or legs. It's very hard to avoid because it's often a comfortable position. But if an umpire makes a call and a player wants to dispute that call, what does the umpire do? The umpire crosses his or her arms, telling the player, "I'm not listening to you. You can talk. I'm not listening."

Limited body motion is the second aspect of attending. Fidgeting and moving around tells the speaker you don't want to be there. If you are rubbing your neck, looking everywhere, and moving around a lot, you are sending negative signals. Try to stay as still as you can.

The third aspect of attending is eye contact. This is difficult for many people. Eye contact is a very intimate thing, and it's very tough for people to do in general. This is a really tough aspect of physically attending the speaker, and your eye contact should move from the speaker's eyes to the face to the gestures. You shouldn't be giving a blank stare.

The fourth aspect is a nondistracting environment. You shouldn't have a TV on in the background. Even when you're trying to listen, it's easy to be distracted. The biggest example I have of a distracting environment is a desk. We're behind desks a lot. People come in. You don't know how long the conversation is going to last. You tend to sit behind your desk. That sends a bad message. It tells them you are really not listening that much. You can get much better conversation and understanding if you move out from around your desk and take a seat opposite the speaker. About three feet away is the distance that psychologically seems to work.

The second listening skill is following, and this is really just staying out of the speaker's way. There are four aspects to this. The first one is door openers. Door openers are noncoercive invitations to talk, and this is key. Sometimes people get carried away when they're trying to have a conversation. They want someone to talk, and what they do is open the door and physically drag the person through. Door openers, however, just open the door and give people an opportunity. If they're not ready, they won't talk.

How do you do a door opener? You might observe the person's body language, or you may just tell the person you want to talk. Sometimes silence is a very good following skill, and you may have to give some people silence. Silence is very uncomfortable. Usually, we'll do almost anything to break a silence, but sitting in silence for 20, 30, or 40 seconds or more will get some people to open up. Silence can be a door opener for some people.

The second aspect of following is something called "minimal encourages." It's a tactic that does work. By the way, all these tactics don't work unless you really want to be there. There's no replacement for actually physically and mentally wanting to be listening. Minimal encourages involve simply saying, "Mm-mmm" or "Right." You're saying, "Yes, I hear you. Keep talking." That's an effective tool.

The third aspect of following is infrequent questions. You should try to avoid asking too many questions when you're listening. This is also very tough. Many people tend to ask a lot of questions and want to move things along very quickly. It is a very controlling type of thing to do. If you have to ask questions, ask open-ended questions, and ask as few as you can. Sometimes it does take longer for a conversation to play out, but you will usually get your answer, and it will lead to better conversations.

The fourth aspect of following is attentive silence. As I said before, attentive silence is very tough, as most people are very uncomfortable with silence.

The third listening skill is reflecting, and this is just reflecting meaning. Reflecting meaning is to make sure you're on the right path to understanding the conversation. You reflect back a summary of what you've heard. First, you want to identify the emotion or the feeling in the message, and then you want to link it to the content. I'll give you an example. Imagine that someone is saying, "I have

a deadline at two o'clock. I called all these people, they haven't responded, and I have to run around." If you're listening, you might understand that the person is frustrated. You've recognized the emotion of frustration. The speaker is frustrated because people won't respond, and the speaker confirms that when you say that to him or her. Sometimes you'll be surprised when you reflect meaning. You think you understand, and when you reflect back, you were on the wrong track. The speaker will let you know that, and you have a new shot at understanding. That's reflecting.

Now we can move on to our approach to listening to advantage. We think of this module as a one-day professional seminar. It has not been developed yet.

The fourth module in the communication skills set is personality analysis. There are two goals. The first is more effective interactions with your associates. Did you ever find there are some associates you just can't seem to connect with? Often it's a mismatch between your personalities. How long does it take you to recognize what approach to use with what type of individual? Sometimes you may take one, two, or three stabs at it before you realize you need to go this way for that person. How long does it take before you can do that? This module is intended to speed up that process, helping you to recognize and understand it a little bit better.

The second goal is less frustration. Do you ever get frustrated at work? Do you know why? Often it's understanding your personality and learning to balance your tendencies. This module is very effective at giving you skills to recognize the work habits of people and to put them quickly into a category and learn what to use and what not to use when working with that individual.

In this module you first learn the personality types. You learn the strengths and weaknesses and the drivers and motivators of the different personality types. Second, as we just mentioned, you identify the personality types of your associates and yourself and the techniques to use and to avoid.

Let me relate to you how this module helped me. I had an associate I was working with, and he was very inventive at finding new ways of doing this project we were on. We started out with one way. It was pretty good, but he found a second way of doing it. It was even better and faster. And then he found a third way and a fourth way, and I started getting nervous because the deadline was moving up and we weren't really making any progress. We were constantly shifting gears. Because I didn't understand his personality type, I didn't understand what was driving or motivating him, and I just kind of went with it until I took this module. Then I realized that his type was very good at finding alternate ways of doing things, but the reason that people with his personality type do that is because they get bored quickly, and he was using it to reenergize himself on the project by constantly trying new ways. It wasn't that there was always a better way. One of the weaknesses listed for people of this personality type is that they don't drive projects to a conclusion. Using this information, I

was able to redevelop my strategy with him, and we moved along very effectively.

For the approach, we envision a one-day professional seminar and once-a-year refresher exercises with solutions to remind you of the different personality types. That concludes the communication skills set modules. Phil will now take us through the leadership skills set and its modules.

Mr. Lehpamer: We have two modules that fall under the category of leadership. The first, which we call Executive Mentoring, is a program that currently is in place. The second, Executive Shadow, is a module under development.

Our goals with the Executive Mentoring Program are to provide guidance and to further develop our actuarial students as leaders. The Executive Mentoring Program also identifies our top performing FSAs and provides this select group with an opportunity to enhance their leadership skills.

Every mentor situation is slightly different, depending upon the personalities of the individuals involved. Mentors in our company are outside the chain of command or the normal everyday workflow. They provide individuals who wish to be mentored another source of information on local and company-wide issues. We believe the observations and guidance provided by a mentor can be important in the career development of an actuary.

Our approach to the Executive Mentoring Program is to follow a hierarchical structure. Students are mentored by associates, associates by fellows, fellows by actuarial officers, and some of our actuarial officers by senior officers. For students—both pre-ASAs and associates in our actuarial student program—the mentor module is required. We have an actuarial student committee that assigns students to mentors. We encourage individuals to meet at least once a quarter. If everything is going smoothly and the individual being mentored is satisfied, the mentor relationship can continue. With changes in the organization or changes in exam status, new mentors are assigned. The mentor program is pretty much voluntary and administered by staff who report through the chief actuary.

The goals of our Executive Shadow Program, currently under development, are to give training and observations to actuaries who have been identified as having senior management potential. The content of this program would be to define several executive assistant positions. These job positions would mirror the jobs currently being done by some of our department heads or the chief financial officers (CFOs) that run our many businesses. The person in the executive assistant position, for a period of several months, would shadow the department head or the business unit CFO, basically observing and vicariously doing that job. Then, when a comparable-level position opens up somewhere else within our organization, the executive assistant would be ready to move up to that job.

Our approach to this program would be to integrate it with the company's existing program for filling executive-level positions. This means formally having executive

assistant positions established in various units throughout the company and providing the budget monies necessary. Working with our executive compensation HR professionals and establishing a proposal is probably our next step to further develop this idea. This program, in essence, would be integrated with the company's existing succession planning program for moving individuals who are qualified into senior management. That's a quick synopsis of the leadership area. Now we'll go into an area called "general insurance knowledge."

Mr. Segal: General insurance knowledge is a cornucopia category. It has six modules. We're going to start with distribution systems. There are three goals. The first goal is to learn the basics. This is not really covered very well in the exams, and yet it is a critical area. Many people believe that the next wave of competition will be based on distribution strategies, and I don't think you find too many actuaries who understand distribution very well. The second and third goals are to learn the advantages and disadvantages of the alternatives by product and then to improve communication with senior management and sales associates.

We go through all the types of distribution: captive, general agency, broker, and direct, whether it's Internet or regular. We go through organization—the structure and the levels involved. We go through the entire compensation structure, including incentive programs and management overrides. Costs are expressed as a percentage of revenue by product category. We feel that's the best way to understand costs from an executive perspective.

We cover penetration, the various levels of the sale and how different agents succeed. For example, individual sales representatives make cold calls. How many do they make before they get in the door? How many visits does it take to close? For a worksite marketing representative, it might be very different. There are two levels of a sale. First, you sell to the group or employer, and once you get in there, then you have to sell your products to the employees. How does each level of penetration work? What do the numbers look like?

Quality is something that actuaries are familiar with. Quality is the morbidity, mortality, persistency, and average contribution by product and by type of distribution. We look at retention of sales associates—retention by length of service of the representative and the profitability by representative, categorized by length of service. Last, we cover what we really want people to understand: agent profile. What does a typical agent look like in terms of how many sales per week, per month, and per year? What does it take to get into that bonus pool and get that trip? What is the total compensation? What is the average compensation of a typical agent? What do agents go through? That is the kind of picture that we'd like to pass along.

All these general insurance modules are not yet developed, but a one-day professional seminar is what's envisioned.

Under the category of law and tax, we have three goals. The first is to learn the practical basics. These topics are no longer required on the exams, so it is

important that we cover them. Our second goal is to improve the ability to design products. Virtually every product we have is affected by law, tax, or both. Finally, we want improved communication with attorneys and the state insurance department.

For law we go through the hierarchical legal structure to understand the relationship among common law, statutes, regulations, circular letters, promulgation, and extraterritoriality. Next, we would consider a summary of the key laws and tax rules organized by which products are impacted. What we picture is that attendees would end up with a binder containing summaries by product. As they rotate through different assignments, they can always refer back to that manual. Thus, if I'm in a product area and want to know the different laws and regulations out there or the tax implications, I have a summary and a place to go to get more detailed information. Thus, this manual would be a very practical tool kit.

The next content area is historical cycles and patterns of change. It's very important to understand the flows and political drivers of change and the impact they have on the product design and the product life cycle. To give an example, we would bring someone in from the company to talk about something that recently changed in the legislation. What did this change do? How did it impact our products? What are we doing to recognize the change? What was the financial impact? What were the reasons for the change? Finally, we would give resources and places where they could go. These would be publications, including online sites. We would also provide a list of internal personnel who are the experts in this area. Our approach to this module would be a one-day professional seminar.

There are three goals with the competitive analysis module. The first goal is to learn how to analyze a company. This would be a module that would afford an executive perspective, taking a holistic look at a company. We usually focus on more narrow aspects of a company. This would give us the opportunity to look at it another way. Our second and third goals are to learn the markets and the company positions in those markets and to improve communication with senior management and marketing associates.

Let's move to the content of this module. How many of you are aware of your company's goals in each of the major product categories and in each of the major markets? This is something we want the actuary to know. Market share and rank by product category show the company's share and rank in the major markets and the competitors. We would look at all the key measures, such as revenues, expense ratios, earnings per share, growth, ROE, risk-based capital, and return of capital (ROC). But we would also look at it from three different perspectives and how these three different entities would analyze each item. The rating agency perspective is one. Is the insurance department perspective more of a solvency perspective? What about investor perspective? What they're looking for is consistent, stable earnings growth and ROC.

Then we introduce case studies. We would have the experts come in and present three particular companies and how they analyzed them. They would discuss how they gathered the information. Again, we close with the sources of information. The Internet has databases with information. We would list them all so that the actuaries could know where to go to get this information to do the analysis.

Our approach would use a half-day professional seminar with annual practice workshops. The way we would run this practice workshop would be to give each of the participants a company cold and say, "Here it is; you analyze it." The participants would reconvene and present to one another what they've done and how they've analyzed these companies. I think that would make the workshops real and keep participants' skills fresh.

There are two goals in the functional relationships module. These goals are definitely more for entry-level students—namely, to learn the major functions of the company and how they interrelate, and to deepen their appreciation of other non-actuarial associates. The organizational structure of a company changes pretty frequently, but the functional relationships are more stable. It's more important for participants to learn that. Actuarial students tend to be exposed more to other actuaries only, and this would speed up the process for them to understand the relationships that actuaries have with the other associates around the company.

Moving on to content, we go through all the actuarial functions of pricing, reserving, financial reporting, and all the others (claims, underwriting, and distribution). We cover what we expect from them, what their role is, what they should expect from us, and what our role is to them. We also cover typical conflicts. An example of the most basic one might be that salespeople want lower rates, while actuaries look for profit and stability. Covering these topics would help speed along the development of our younger students. This module would be a very informal half-day seminar.

We have two goals for the business life cycles module. The first goal is to learn the business from an executive perspective. I feel very strongly that the life cycle of a business teaches you a lot. When you see something grow, you see it die, or you see it sold off, you learn a lot more than when things are stable. I'll give you one example. The captain of the *Titanic* was well-respected and had a lot of so-called experience, but during his tenure, he never even had any minor incidents; consequently, he really wasn't well equipped to deal with a major disaster. Another captain more seasoned in terms of some traumas might have been able to save a lot of lives. Suppose you come into an area where they're making a profit and things are going well. You have your tenure; then you leave, and things are still going pretty well. How much did you learn? I think you would have learned more if there was trauma, major growth, divestiture, selling off, or something like that. Thus, we'd like to learn from those experiences and have participants learn how to enter and exit a business.

Let's go on to content. How is a business plan built? We take people through how to develop a strategic business plan, how to identify the capital needs and the sources of the capital, what the target desired mix of debt and equity might be, what the capital structure is, and what assets are needed, including HR.

We go through all the different ways you might exit a business—whether you just close off the block and let it run out, sell it, or use some form of reinsurance to transfer the risk. We discuss what the considerations are for each of these options, including timing, cost, and regulatory approvals.

Finally, and most important, are real case studies. We have a lot of examples in our company of buying and selling. There are many stories to tell, and there is a lot to be learned from those stories. What did you go through? When you build something from scratch, take it apart, or demutualize like MetLife is doing, you tend to see the inner workings of the business—things that maybe you never thought of when everything was running smoothly. You learn about the relationships underlying the different functions in the business, and it's very instructive. Our approach to this module is a one-day professional seminar.

The sixth and last module in the general insurance knowledge skill set is field experiences. It has two goals. The first is to gain valuable on-site experience. Sometimes there's no substitute for being there. The second goal is to increase credibility. If you've been on-site and you can say, "I know it's going to work this way because I've been there and I've seen how representatives sell this," then you gain credibility.

We envision three types of field experiences. The first one is with sales representatives. We would have actuarial students tag along with sales representatives for a couple of days, possibly even taking a small portion of the training they go through. Visits to customers' homes are part of this field experience. We would look at things from the customers' perspective when they're dealing with the agent. We would also look at what the agent goes through, such as the amount of time spent on activities other than selling. We would see the process from the initial sales pitch to the paperwork.

A second type of field experience would take place at a customer service call center. What we envision here is monitoring actual calls to learn what the customers are concerned about. What are their problems? How are they handled? How quickly are they handled? Last would be tagging along with the claims adjuster on a couple of cases to see what's involved and how claims are resolved. Our approach to this module, then, is actual on-site visits. That is the end of the general insurance knowledge skill set and its modules.

Mr. Lehpamer: With respect to crossover, we have two modules: the first, Executive M.B.A., is in place and operational; the second, M.B.A.-Lite, is a module under development. The goals for our Executive M.B.A. Program are straightforward. They're to improve the business skills of the participants and to

have actuaries compete better for positions where someone has decided that an M.B.A. degree is necessary.

The content of our Executive M.B.A. Program includes the usual topics taught for such a program. The first topic, management, has its emphasis on understanding human behavior and leadership qualities enhanced by computer-based decision models. Finance and economics focus on economy-based decision making, developing and interpreting corporate data, business and capital markets, and tools for financial decisions, with an eye on quality and customer satisfaction. Management science discusses executive leadership and the implementation of strategies. Operations management covers miscellaneous business topics in the day-in and day-out running of the business; for example, inventory. Another topic is accounting, law, and tax. The final topic, marketing, covers basic marketing concepts. With a global economic environment taking central stage, all of these topics will treat international questions.

The approach of our Executive M.B.A. Program is to send selected individuals to Columbia University or to New York University to obtain their M.B.A. degrees while they continue to work for us. The program at Columbia requires participants to attend classes on Friday and to be available for projects on weekends throughout the year. The individual will continue to work for us full-time Monday through Thursday. This is a fairly intensive schedule, but within, say, two-and-a-half years, the person earns an M.B.A. degree.

The second approach is our M.B.A.-Lite Program. Here our goals are much more modest. Of course, we want to improve business skills, but we also want to better understand M.B.A.s—how they are trained, what they learn, and what language or specialized knowledge they may have.

The content of our M.B.A.-Lite Program will include four topics. Management would include organizational behavior, HR management, managing people in organizations, managing information, production and operations management, and strategic management and implementation, including managing across cultures and managing change. The financial topic would cover applied statistics and decision support, applied microeconomics and industry analysis, international macroeconomics, and competitiveness. Marketing would include international financial markets, while leadership would include business ethics. Our approach to the M.B.A.-Lite Program is to have our FMU develop a three-day seminar covering these topics.

Mr. Leslie E. Jones: Do the individuals who go through your executive M.B.A. program typically continue in traditional actuarial-type positions, or do they move into other aspects of a company's operations?

Mr. Lehpamer: I think both things happen. In many cases they do move into areas that aren't considered to be traditionally actuarial. As a matter of fact, that's why, to some extent, they went ahead and got this executive M.B.A.; the position is defined in such a way that maybe—on paper at least—the actuary

might not be qualified, but somehow an M.B.A. is. What we hope to do there partly is to show that yes, the M.B.A. program is important, but actuaries have a lot of these skills already at their fingertips. I think that becomes more manifest by developing programs along these lines.

Mr. Sanford E. Penn: It is obviously a very big investment for your company to develop all this and to put it into place. Are you worried about people taking their increased marketability to other companies and things like that?

Mr. Lehpamer: We've had an actuarial student program for years. It goes back to the first great actuary that Metropolitan produced at the turn of the century—James McIntosh Craig, who developed the industrial life business that made Metropolitan's first fortune. We've often trained people, and then they've left us. That's a continuing problem for a large company that trains people. I think what we try to do is separate individuals because everybody is not truly outstanding in terms of the actuarial profession. We had only one James McIntosh Craig, to take things back 110 years ago, and we were lucky to have that particular person. You try to distinguish your top performers without running all the other team players down. It's those key players who you want to get into top positions. If they are given appropriate incentives, why would they want to leave? We have everything, so to speak, within our universe.

Mr. Segal: Yes, I agree with Phil. There's always a concern of losing individuals, but having a program like this, I think, makes it more attractive to remain with Met. We can't control who's going to leave. Some opportunities present themselves and people will leave, but I think this is a good benefit of staying with MetLife and getting this training. You want good people in the company. The better the people are, the easier it is for them to leave naturally; thus, the way you have a successful company is to develop your people.

Mr. Adrian Mackaay: In some of the programs that you mentioned, you indicated that you only offer them to selected participants. You mentioned the Executive M.B.A. and the Executive Shadow Programs. How do you select who gets offered this training and who does not?

Mr. Lehpamer: It's through the performance review process that we mentioned—the evaluation of individuals.

Mr. Mackaay: What are the criteria?

Mr. Lehpamer: The performance review or the rating system that's in place is very elaborate. It's through that mechanism that individuals are identified.

Mr. Mackaay: Is it something like the top 10% of some cohort?

Mr. Lehpamer: Yes, 10% is the right order of magnitude.

Mr. Segal: Also, there has to be an interest expressed, and not everybody wants to invest the enormous amount of time it takes to do this. There often is

a match between the people who want to go and those the company wants to go.

Mr. Mackaay: How many people do you currently have doing the Executive M.B.A. Program?

Mr. Segal: I know about three.

Mr. Lehpamer: There are also non-actuaries involved with the Executive M.B.A. Program, so the number is greater than three from a total company perspective.