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## Session 74PD

### The Marketing Actuary: Many Different Roles

**Track:** Actuary of the Future

**Moderator:** DAVID A. RAINS

**Panelists:** STEVEN P. HABEGGER

DAVID A. RAINS

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*Summary: Marketing actuaries play a critical role in assisting with the sales of complex, technical, custom-made products and services to consumers. Products and services can vary widely and may involve reinsurance, employee benefits, pensions, software, research and consulting. Attendees gain valuable insight into the different aspects of a marketing actuary's job.*

**MR. DAVID A. RAINS:** Each speaker represents a different perspective on being a marketing actuary. I hope you will contribute some perspectives of your own.

First of all, the term we're using is "marketing actuary," but we could compare it to a couple other kinds of actuaries. In an article by Jeff Miller, featured in the May 2002 issue of *Best's Review*, he talks about different kinds of actuaries who work in insurance companies.

He grouped them into a few main types. One type is the valuation actuary. He wrote, "The valuation actuary is largely responsible for making sure that an insurance company can keep its promises."

A financial actuary helps insurance companies decide how much capital they want and makes sure that capital is well treated.

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**Note:** The chart(s) referred to in the text can be found at the end of the manuscript.

He also mentioned marketing actuaries. It's hard to say exactly what they do, which is why we're having this session. The challenges faced by marketing actuaries in insurance organizations are even more obscure than those faced by valuation and financial actuaries.

So there it is—marketing actuaries face obscure challenges. What do they really do? Whether marketing insurance or risk-related products and services, they close deals.

What if I say they also develop products and research markets, customers, competitors or trends? What if I say they do mortality studies? Does that sound like a marketing actuary? I'm not sure that it does. But it's not always a matter of what an actuary does; but rather, why he or she does it that earns the title of a marketing actuary.

Doing a mortality study to validate whether last year's X factors are still appropriate is not a marketing actuary kind of thing. However, someone doing a mortality study is a marketing actuary at least during the following actuarial functions: looking for flaws in product design pricing to determine if prices can be lowered to give better value to the consumer or to pay more commissions; or, to determine differences between marketing channels.

So, marketing actuaries create, deliver, manage or maintain products and services that include money and risk as fundamental components. That's a pretty general definition, but we like to talk about and tend to think about marketing actuaries as people for whom part of their job is to influence a customer to buy a risk-related product.

Now, these are also actuaries who don't always like to admit that they have an actuarial background at all, but one can tell that's really what they do. Remember the title is "marketing actuary," but marketing simply implies that one is really trying. I have never heard of anybody called a selling actuary, because actuaries wouldn't allow that. They would say I'm selling with a "75 percent probability of success" or something like that. It would be much too long a title.

Nonetheless, a couple of actuaries on the panel have been very successful selling actuaries. The first presenter is Steve Habegger. He is currently with ING Re and has been in the reinsurance field for about nine years. Before that he was in direct pricing for annuity products. He has been an FSA since 1993 and a chartered financial analyst (CFA) since 1996.

**MR. STEVEN P. HABEGGER:** I read the catalog description of what this session was supposed to be about, and I wasn't sure it applied to me. I thought, to a large degree, it described a job I did before. But as I thought more, I decided that what I had done was take the next step beyond the marketing actuary role, and completely move into sales.

Here is an overview of what I will cover today. I want to tell you why I moved into sales. I will describe my job, and why the FSA is valuable in this role. Lastly, I will go over some discoveries and insights. These are not necessarily reasons that I took the job. Instead they have turned out to be the reasons I actually like the job, and why I think it was a good career path to take.

Figure 1 contains information from a book called "Topgrading" by Brad Smart. This covers what he describes as bad career planning advice. The book gives his good career planning advice, too, but for the most part it's the opposite of all the items included in Figure 1, as one may expect.

Figure 1

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### Bad Career Planning Advice

- Work Harder
- Live Beyond Your Means
- Never Pass Up a Job Opportunity People Say You Can't Refuse
- In Job Interviews, Hide Negatives
- **Develop Your Strengths to the Max**
- **Don't Waste Time Trying to Overcome Your Shortcomings**

(Source: Brad Smart, *Topgrading*)

It's amazing how many times these specific things are given as advice to people. Hide negative qualities when interviewing, really develop personal strengths and don't waste time on shortcomings.

Luckily, in my career, I had a good mentor. He gave me good advice with respect to developing additional strengths and allowed me the opportunities to do so. Many times one may have a manager who sees you are doing a good job, and wants to continue to utilize you in that role. One needs a boss who is willing to let you move on to other things.

So how did I get into sales? It was partly due to advice from my manager. I had demonstrated technical expertise, went through the exams quickly, and tried to expand into other areas.

At that time, I was in a pricing actuary role in reinsurance. Part of that was a back office job. However, the sales person with whom I was working did a fantastic job of getting me out with the clients. He wasn't an actuary, but he was a very good sales person who allowed me to make a lot of client visits.

I found that I enjoyed the travel and getting out of the office. I also enjoyed the client interaction and got a very broad overview of the industry. I also enjoyed the excitement of discussing issues with clients. When a client throws out a question it may be one that you have answered before. On the other hand, if it is not one you have answered before, one needs to be able to think quickly on her or his feet. There's some excitement and challenge associated with that, which I enjoy.

I don't think this is the only path that can be taken to broaden skills or even that these are the skills that everyone needs to broaden.

As I began to express my interest in moving to a sales job, many people were a little skeptical about an actuary moving into sales. As an initial step they gave me just one state as my territory.

That ended up going well and a larger role soon became available. The sales person who I had been working with moved up in the company and his territory became available. I had already developed relationships in this territory as a result of my pricing role.

Now I will talk about the sales role itself. I see one aspect of the role as leading a team of technical experts. Having the FSA designation allows me to discuss a number of technical issues with clients. However, I also need to bring in people who have in-depth knowledge about a specific product, service or market.

I am responsible for the overall client relationship, making sure they're happy, and that the technical experts deliver what they're supposed to deliver. In my role as a business consultant, I see the value of having the FSA because I understand the business and I am better able to understand my clients' problems.

Another aspect of the role is as a long-term ally. I want the client to feel like I'm there with them over the long term regardless of whether or not their immediate need will develop new business for me. I want them to come to me with their problems and needs, even if it's not always one that I may be able to solve and even if it's an issue that I have to give to a competitor.

The last aspect I'll describe is the strategic orchestrator. This ties back together with leading the team of technical experts. As we develop the needs and problems of the client, I try to figure out which services and experts we've got that can help them. In addition, we work to modify those services to meet the specific needs of the client.

I want to show some of the different competencies involved in sales. These aren't

the only ones; but I've listed a number of books that talk about these and other skills (Figure 2).

Figure 2

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### Various Competency Lists

- Lombardo and Eichinger, FYI: For Your Improvement, Lominger Limited: 67 Competencies
- McCall, Lombardo, Morrison, The Lessons of Experience, 32 Lessons That Form Base of Fundamental Executive Skills
- Brad Smart, Topgrading, 50 Competencies in Six Broad Categories
  - Intellectual
  - Personal
  - **Interpersonal**
  - Management
  - Leadership
  - **Motivational**

I had thought I ought to develop some additional competencies, but was not looking at these specifically. As I look back, the sales role has developed some specific skills. I highlighted the interpersonal and motivational ones as two key competencies that the sales role can develop.

In the interpersonal category, one learns first impression skills, likeability, customer focus, how to be a team player, oral communications, persuasion and negotiation. In the motivational category, one develops self-motivation, energy, enthusiasm, ambition, balance and tenacity.

You should decide what skills you want to develop and what jobs will help. This by no means is the only job that will help.

As I look back at moving into sales, I see that it has been a great experience for me. As I described, I had a nice transition into the role. There is still a trial by fire, but to some extent that's the only way you really develops new skills. It's not easy to be the person on the front line in a new job, but to get the chance to work on those skills you have to jump in the deep end.

During a transition period where I was still doing pricing work and had the single

state territory, I found that I put much of the sales role on the back burner. The process of relationship building is long-term.

If there are immediate needs, it is easy to get stuck in continuing to do that type of work first. A potential problem is never getting to the bigger issues that don't have the immediate need.

The internal versus external communications are still a challenge for me. When dealing with clients, if one does not measure up and deliver what is promised, then the account can be lost. The client doesn't have to do business with you anymore.

That's a very big contrast with how people inside a corporation deal with each other. For example, when an internal resource says he or she will complete a project in a certain period of time and if that is not good enough, it is just too bad. The employee cannot do anything about it. You are reliant on the internal resource. If that person fails to deliver, there is no immediate consequence.

It is a challenge when you're working with a client, trying to meet their needs and then come back and deal with internal resources. I want the same responsiveness that I am giving to my clients from internal people, but that does not happen all the time.

At the same time, you show a lot of patience with clients. It is desirable to allow clients to talk for a long time and completely express their problems. I tend to not want to do that when working with internal people. I know what I need the other person to do, and I want them to do it now. So, it is still a challenge for me to try and show some of the same patience and use some of the same sales skills internally that I use externally.

I cannot emphasize the credibility and value of the FSA enough. It is very tough to get through those exams. Once you have accomplished that, everyone who has an FSA immediately knows the person has reached the same milestone. This creates some level of immediate credibility. At the same time it allows me to continue to stay up-to-date on regulatory issues and product issues and understand them to a deeper extent than somebody that does not have the technical background.

My last point concerns impressions and perceptions. These often are more important in my role than the facts are. When dealing with the human aspect, clients and negotiations, perceptions and impressions become much more important than black and white issues.

**MR. RAINS:** Thanks, Steve. Our next presenter is Tim Tongson. He has been an FSA since 1986 and spent about 20 years on the corporate side of actuarial practice in a variety of roles; some of which we would call marketing-oriented. Most recently, he has been running and building the Minneapolis life practice for Milliman USA. He will talk to us about the processes and methods he uses for

acquiring consulting service businesses.

**MR. TONGSON:** Thanks, David. I will tell you about myself, and about Milliman USA. As David said, I had been in the corporate area for about 20 years. I served as a corporate, appointed actuary for Allianz Life and had exposure to a number of different actuarial roles and responsibilities.

I also spent a few years as the chief financial officer for our Allianz Individual Division. In that role, I worked with other financial staff, but also evolved into working with other financial professionals and operating units, as well as marketing areas. I spent one year during my career there managing the long-term care business unit. In that role, I had the marketing department reporting to me.

I also spent a few years in a small mutual company as the chief actuary. I came to this role a couple years ago with a pretty general and diverse background of mostly actuarial and some operating general management skills.

Milliman USA is part of Milliman Global. We've got 2,600 employees worldwide, and in the United States we have 35 offices. The values that define us are independence, innovation, customer service and the entrepreneurial spirit, which speaks to the fact that we've got a lot of freedom to operate. I'm located at their office in Minneapolis.

They had the three main practice areas of health, casualty and employee benefits. But they were missing life practice, so I was approached a couple years ago about joining them and building this area. Given my background, I thought this was an extremely unique opportunity, one that may not come up again and certainly would challenge me in a number of ways that I hadn't experienced in the past.

I'm going to talk about a case study and take you through the marketing aspects I've gone through as a consultant to build that practice over the last couple of years. Through this process, I went from an environment in which every day more work showed up than I could possibly get done, to one in which I'm not sure what I'm going to do today.

The bulk of people here are on the insurance side. However, some of the things I will say will resonate with the consultants also.

I'm not going to talk about marketing techniques and I'm not going to talk about consulting techniques. I will talk about the general marketing model I have built over the last couple of years, which I refer to as the five keys to success. It's an easy way for me to keep in mind what's important in this process. The key steps here are understanding the purpose, planning, prospecting, persistence and the payoff that comes at the end of the day.

There are books written about each of these subjects, and we could have a

separate session on each of them, so we will cover these at a fairly high level. Hopefully we will provide a feel for how the challenges and processes work.

First, I will talk about purpose. When getting into a marketing venture or anything else, it's important to understand the objective, and identify a mission and the key goals. The more clearly this is laid out, defined and articulated, the better off one will be.

In that process, you need to really understand what you are trying to accomplish, where the opportunities are and how you personally add value. For me, I felt I had a nice general background, but generally consultants are hired for their specialized expertise.

When I started a new practice, coming in with a general background, my sponsors wanted to build a full-service general consulting practice in the life area. I knew that would take some time, since when hiring a consultant, you need to find experience that is narrow, but also deep.

So, this was a big challenge. Where the opportunity lay for me was in building it, but it was also a matter of how to focus. How do you really figure out where to add the best value to potential customers? That's the key here—value proposition.

How to deliver and communicate value to a customer is probably one of the most important and challenging things throughout selling and marketing service, whether it is consulting or any other product.

The next stage in the process is putting together the plan and the road map to accomplish the goal. The main objective is to identify the specific action steps and initiatives to accomplish the goals.

I felt very comfortable working within a corporate setting and hiring and firing consultants. I had done those things before, but now I was on the other side and a whole different mindset came into play. Now that I had entered the other side, it was important for me to figure out how to build those skills.

I had to figure out how to get things done. There are a lot of different ways to do that, but I had to do so as soon as possible, because I was starting this practice by myself. The long hours that consultants put in were true in this case.

There are a lot of good resources out there to help build necessary skills. I relied on books. There are hundreds of books out there on consulting, marketing and sales. There are also tapes and seminars.

It's really a combination of art and science. The science part can be picked up, but the art is something that will be refined and built along the way. Part of the science includes some of the things that are used to build awareness, such as speaking at



conferences like this, publishing articles and participating in industry committees. These are all common marketing techniques that consultants and others use.

The way I developed my value proposition was to acknowledge that as part of Milliman, it is not just me out there. Granted, I am the front person and might be out there trying to develop the client relationship, but we have a strong bench. We've got people from many offices, and we even have international experience. Essentially, we can bring experts to the table on virtually any actuarial issue to solve a business problem for a client.

Once I acknowledged that, I realized the way to really add value for a customer is to bring the best people to the situation to solve the problem. It gave me the confidence I needed to go market services and not feel like I was overselling to the client. That was a crucial step for me.

The next stage is what we traditionally think of as marketing, which is what I refer to as prospecting. The primary objective, initially, of building a practice is getting a face-to-face meeting with the decision-maker.

The marketing pipeline is like a funnel that starts very broad and becomes very narrow and small. Above that pipeline, there are the "suspects", potential clients who may be a match with the services that we could provide. Through a screening process, you determine whether or not they are good prospects. If so, then they actually enter the pipeline. Through research and contacting, connecting, and follow-up with these prospects, hopefully you can move them through the pipeline building a relationship and trust with them.

In terms of actually contacting prospects, it is necessary to do the homework and research potential clients' needs and try to understand who the decision-makers are. However, the contact may not always be the decision-maker, and you can spend a lot of time trying to market services to people who do not control purse strings or do not have a say in whether or not a project is a go.

So that is an important part that I have learned. I refined my business model along the way. It is good to keep those contacts, because they can also help to evolve from a cold call to a warm call, to a referral process.

At the end of the day, however, you cannot get by without making cold calls. It is the dreaded thing that sales people just have to do. There are even books written on how to make cold calls. It is something that takes persistence and a positive attitude.

Through that process, I recommend developing a script, which is the approach I took. Mine was very brief, to the point, and served as an introduction. It went like this:

"Hi, my name is Tim Tongson, I'm a consulting actuary for Milliman USA and I've

just opened an office in Minneapolis. I'd like to meet with you some time and tell you about the services we offer, in case you need actuarial services in the future."

If it is possible to actually connect with somebody, that is great. However, expect voice mail 80 or 90 percent of the time. Then the challenge is whether or not people return the call. Most of the time, they do not. So, it is important to follow up regularly.

Through this process, you have to try to walk that fine line of being persistent yet not annoying, so no one feels alienated. This is really the next part of marketing, and the objective is to follow through and not give up.

I have an appreciation for the small business owner who is starting out and trying to launch a business. It takes a lot of work and persistence to do that. One of the things to acknowledge through this process is that trust takes time. The process does not consist of calling someone, getting him or her on the phone, getting that introductory meeting, and him or her saying, "Yes, I'll hire you."

It just does not happen this way. Although, when I first started, I thought it might be the case. It was tough to get over that. I read something that said it takes five-to ten touch-points along the way before one develops enough trust with a consultant that they will actually get hired.

In the consulting business, when walking that fine line between being persistent but not annoying, months or potentially years may pass before that relationship can be established. It is important through that time to track progress; otherwise, you feel as though no progress is being made.

I used a weekly log to indicate the people I planned to call, the follow-ups I needed to make, which meetings I would have, and which proposals I would put together. I also used something called the point system. It was a game, actually. I tried to get four points a day or 20 points a week. Making a phone call to a decision-maker was worth one point. Being able to get a meeting with that person was two points and actually holding a meeting was worth three points. So this marketing technique is a way to track progress while making it fun in the process.

Through that there's a lot of rejection. People don't return calls. Not that they are doing it deliberately, but people are really busy. I remember that from when I was on the corporate side. I was extremely busy and had phone calls that I did not return.

It is important not to take it personally, but at first you may wonder, "Why is this person not calling me?" Often when I finally got a hold of someone, two or three weeks down the road, he or she is almost apologetic, and says, "I've been meaning to call you back, but I just never got to it."

In what profession do you think people are the most optimistic? The answer is life

insurance sales. Experienced life insurance sales people have to deal with so much rejection. We know that the retention rates are really low for three-to-five years out. The successful ones are extremely optimistic, because they handle rejection over and over again.

Here are a couple of other things: model successes that were learned from failure. If there are role models out there, model them and see what they are doing that works. Listening to motivational tapes also helps.

Also, learn from failure. The phrase, "fail fast" essentially means to learn while making mistakes. Viewing it that way helps to keep a positive attitude as opposed to personally feeling like a failure. Because it is an art, you are not going to do everything correctly. So, it is necessary to refine the plan, but try to give everything a reasonable effort before rejecting it.

If you are successful, there is a payoff stage. The payoff, from a marketing perspective, comes in different forms because of the way the pipeline is structured. I mentioned the main payoff is getting a face-to-face meeting with a decision-maker. Once that is accomplished, especially when it's going through cold calls, it is extremely rewarding.

If someone actually is willing to meet with me and let me talk to her or him about what I do, that is pretty exciting. And if I have done a good job in building trust and confidence through follow-up with prospects, I may get a request for a proposal. That is also an extremely exciting time because it personally says that they have enough trust and confidence in me that they are willing to give me an opportunity.

In other words, this is a chance and you get closer to the target, which is to get awarded the project. Now the real work begins and you enter the challenge of actually getting the work done to the client's satisfaction. Don't forget, though, that once that project is done, there is other work to do, so don't ever really let go of the marketing aspects. That's a constant challenge for consultants who have that dual responsibility.

The last point is that the ultimate payoff for a consultant is a satisfied customer. Getting there takes a lot because of some of the things that were mentioned earlier. How much a customer pays the consultant, when it is due and when the end product is delivered are all transparent.

Generally, at the start of the project, the scope is not clearly defined so a bit of guesswork is involved. Communication is very important. Ultimately the most rewarding aspect of marketing efforts is if you get a satisfied customer, which is evident by repeat business and referrals.

**MR. RAINS:** Thanks, Tim. Like Steve, I have a few things to talk about from a reinsurance perspective. Instead of defining the marketing actuary as the front line

sales person, however, I will talk about a slightly different role, which is very similar to what Steve might have referred to as the pricing actuary. This is one who has quite a bit of contact with the client and who works with a front line sales person on a very close partnership to sell business to our clients.

To provide some background, I have been in the insurance business for about fifteen years. I did actuarial work and sales for group health at Blue Cross/Blue Shield of Alabama, and then moved into the direct side of the life insurance business.

Currently, I am with Transamerica Reinsurance. The role that I want to talk about is one that we use at Transamerica, and is important to me.

I manage life products from the acquisition of new business. A couple people on our staff actually have the title of marketing actuary. That role focuses on managing the process, interacting with a client and the strategic development of our life reinsurance practice.

The marketing actuary role that I'm talking about has a focus that is very heavily involved in the transaction, then in client interaction. Marketing actuaries are responsible for the start-to-finish idea of getting a reinsurance product sold once we have a qualified prospect. They provide input, but it is not their primary responsibility to be involved in the strategic development.

What I call the pricing actuary is someone who supports the marketing actuary in these kinds of activities. Their transactions are similar. Process management is more involved, client interaction is about half as much and strategic development is not quite as much.

My role is to manage all those groups and work very closely with sales from a global perspective. It has very little to do with the transaction and somewhat to do with product management, but I am very heavy in client interaction and the strategic development area as well.

Those are all things done by the person who could be called a marketing actuary. It is hard to describe exactly what these things are; they are not exactly time or effort, but are meant to show growth activity in the job description.

The duties of the marketing actuary role are to execute the deal process and to manage that deal. This includes everything that happens after we have a good prospect—a good potential opportunity—all the way from evaluating the risk on the team to negotiating the final deal with the client and making sure it is executed in a reasonable way back at the office.

Certainly, this person has to balance customer needs and company objectives. He or she is in the position to do that. Along the way he or she will encounter issues

and the ability to navigate between the issues.

Figure 3, which lists the job duties of the marketing actuary, says, "maximize company position," but it is not actually true. I put it down as a contrast to the next bullet, which says, "Negotiate mutually beneficial terms." This indicates that I want the marketing actuary to win at all costs, but we don't want a win/lose situation. The idea is to win whenever possible and to negotiate these mutually beneficial terms. A book I recommend for help on negotiating is *Getting to Yes*, by Roger Fisher and William Ury.

Figure 3

## The Marketing Actuary

- Job Duties
  - Execute the deal process -- manage the deal team
  - Balance customer needs and company objectives
  - Problem solving -- navigate risks
  - Maximize company position
  - Negotiate mutually beneficial terms

As far as the behaviors and characteristics that I'm looking for when hiring a marketing actuary, they are hard to determine through just an interview process, so it's challenging. I want someone with a sense of urgency and a client focus—someone who wants to get results based on what he or she is doing on a particular day. A marketing actuary in this role is not somebody who is going to be able to work without thinking about the results of that work.

You mentioned optimism, Tim. It is exceedingly important to have a pro-business attitude if we are out talking with customers and with our partnership with sales people. Our sales people do not want someone working with them who is going to drive them down and hold them back. We want to make sure they know we want to do business as much as they do.

Certainly, taking the initiative to understand our clients' needs and having a belief in

what we are offering as a company is important. Tim talked about how it took him a while to develop the ability to strongly represent what he was selling. That's critical in any role. If you sell tentatively, there will be very intermittent results. Certainly a marketing actuary works with clients, so you have to be responsive, while also planning for the next sale or the next opportunity. So, you have to be both responsive and proactive.

The final point here is it is very important that someone in a marketing actuary or selling actuary role really wants to be successful and respects the demands of that new, hybrid profession. It is sometimes easy for an actuary to decide that he or she is willing to meet these challenges. He or she is a pretty smart person, knows a lot of things and thinks he or she can probably figure this out. The person may think that because he or she has made observations, it is possible to sell without a lot of trouble.

However, people have been selling and doing marketing for years and years and spend a lot of time on it so it is certainly to your benefit to reap some of their wisdom.

There are some wonderful books to read. One of the books, *Future Selling*, is a great one. Tim talked about his experiences and trying to sell to the customer that didn't have the authority to buy. That book might provide you some help with that. You might also find what they call buying influencers. This is a client that cannot buy, but can say no and keep one from getting the sale. The book talks about how to navigate around that, too. I also recommend looking into some of the great seminars that are out there.

The skills required for a marketing actuary include relationship building. Internal negotiation can also be pretty important. This is an area in which I try to step in and help with a lot. It is very difficult sometimes to find the time and energy to know how to negotiate internally for what you need to be successful.

There are a lot of things a particular company might say you can't do, but the marketing actuary's job is to sell, and to find products that are sellable, in the market place. Make sure that the voice of the customer is heard, whether through the marketing actuary, the salesperson or anybody else who gets taken into consideration as the company makes decisions.

Practically speaking, you want to think about how to get the sale done, but also how to position for the next opportunity. We are expected to know a few things, too. The FSA gives actuaries a lot of credibility, but you need to back up the image you are trying to project with those letters and with the credibility.

If you talk to a client without being prepared, and the client asks too many questions that you can't answer well enough, then your credibility with that particular client will not last too long. And, it will probably be worse in that they think the actuary never knew any of it, but just sold him or herself as highly

knowledgeable

I want to talk about how we look at a deal. Prospecting involves a lot of talking and circulating, visiting clients over and over. This entails taking them out, hearing about their needs, and hoping to get a deal started. Once a real potential deal is headed down the pipeline, the marketing actuary and the sales person really work together.

As the deal develops, the roles change. Negotiation is very important and the marketing actuary is critical. The solution you start with is not always the one you end up with. It is very important to have the ability to learn from what you have just done, whether it's in a reinsurance selling, a consulting situation or anything else.

In our pre-deal phase, what I call getting ready, the marketing actuary is very often developing new products, working out his or her long-term business plan, building a scale, beginning to interact with the client and doing some travel. The salesperson is hitting the road pretty hard, and making sure the long-term clients have a plan in place.

When something gets started, that is where the actuary really has to step in and change his or her role quite a bit and evaluate the potential of the deal and the risks involved. The salesperson also checks to see if it matches up with the long-term plans for the account, finding out if the company is going to be able to execute on this deal and position themselves in the long term.

The development phase is where you put together that initial or near-final proposal. In the negotiation phase you really have to work together with the salesperson to represent your value. It's very important in any sort of negotiation to represent your value very strongly. You are bringing something to the table that is valuable, but you need to know who you are first.

At the end, the marketing actuary in our team makes sure that the deal is implemented as planned and really evaluates the internal process to make sure that it went as expected. The salesperson, of course, maintains contact with the client, continues to further the long-term strategic plan and makes sure that this process was indeed a win/win situation and that the client was satisfied by the experience (Chart 1).

**FROM THE FLOOR:** I have a question for you on Chart 1. You had a line called "transaction." I understood the other three terms, but I didn't know what you meant by "transaction."

**MR. RAINS:** Transaction, in reinsurance, is the particular risk that someone wants to see evaluated. What I mean is the idea of working on the proposal once you have the request for proposal (RFP). That's what I'm indicating by the transaction. How many folks in here today would consider yourself a marketing actuary of one

variety or another? Great, quite a lot of you are raising your hands. Would anyone be willing to tell us what you do?

**MS. THERESA RESNICK:** I am the marketing actuary for Combined Insurance Company of America. My role is very similar to yours, David, but in a direct response environment. I work with a sales manager, who finds the business, and I make sure it's profitable. That is what our partnership is all about.

I liked the structure of your presentation and how you laid out the rules. What I didn't see, however, and what I'd like to learn more about, is the challenges.

The challenges I refer to are those of the selling and marketing actuary, while making sure the company is applying its capital in an appropriate manner and getting its target profit objectives. That is the biggest challenge that I have in my job.

I am interested in what anyone here can say about this. When you have to bring in the volume, make these clients happy and manage those expectations, how do you work through that issue and still reach your company's profit target?

**MR. RAINS:** What a good question. It certainly is one of our biggest challenges, and not only includes doing these things, but also the surrounding perceptions. I talked about being pro-business and optimistic, and how you need the salespeople to know that you want to do business and deals.

The truth is, there will be situations and opportunities to evaluate that you cannot find a way to do profitably. The problem becomes A), saying no and giving the client or potential client that answer in a pro-business way. And, B), making sure the salesperson understands the reasons it could not go forward and continuing to let them know that the actuary is behind him, supports him and wants him to go out and get more business.

We've all seen how when we say no to somebody too many times, the person begins to expect "no". Then he or she doesn't want to go out on a limb and backs off with what he or she wants to bring in the door.

We've tried to handle that at my company by being as proactive as possible, instead of telling salespeople to go sell something, then we'll see if it's any good or not, or seeing if it's viable after-the-fact. I've laid out guidelines that are understandable for whomever might read them. The guidelines list the kinds of business that I think will be profitable and will meet our corporate requirements as well as any restrictions that we have.

So we have an arrangement ahead of time where the salespeople know what to try to sell. If they do that, then we will probably be able to work out mutually acceptable terms most of the time. On the occasions where I sit back and say to a



salesperson, "Bring me what you will," my chances of saying yes to a potential deal fall dramatically. So the key is to work up-front and to find some rules with which you both can live.

**MR. HABEGGER:** Here are my thoughts on the challenge of how to balance the marketing and pricing. Every company struggles with this and it comes down to understanding what management really wants, and making sure that they are part of that decision-making process.

The answer that usually comes back is that you want growth or profit. It is important to know which comes first and which is the highest priority. The answer, unfortunately, is usually they want both—hence, the dilemma.

I'd like to think that one advantage of the background I came from and the job that I'm in now is that I understand the need for this balance. I hope the pricing actuary I work with thinks that I'm not just out there selling everything, that I've already got a pretty good understanding of the impact on profitability and that I take that into account through the whole process.

One key is getting involved with the client very early on in the process, and not being on a level playing field with competitors. If forced into a commodity situation, it is very tough to stay balanced. That is where there becomes a tradeoff between growth and profitability. In the best circumstance, you get out of that position. I see this as the salesperson's job: to position the company outside of the competition.

**MR. RAINS:** Another thing to look at is the compensation plans the salesperson and the marketing actuary have to make sure they're not set at odds with each other and that they are on a basis that is mutually beneficial to the company.

So often we see that salespeople want to sell premium volume and actuaries want to preserve profitability. There's nothing wrong with that—it's just a measure, like embedded value. It goes up with higher profitability and with higher volume.

**MR. DAVID WALCZAK:** I'm a life-consulting actuary and fairly new as a consulting actuary, so I thought a lot of the tips were useful and I plan to follow up on some of the books you suggested. My question for the panel is based on what we've been hearing this week, that the industry is consolidating. Certainly, as reinsurance actuaries and consulting actuaries we are seeing our number of target clients and companies shrink, yet they are getting bigger as targets.

What do we do as marketing actuaries or as an industry to push back and expand our curve, get into banks, get into asset management and go overseas? Who is making sure that the ten touch points of Tim's are being done with those other industries to gain the trust for us to go practice in other areas?

**MR. TONGSON:** What we addressed in the last question about constantly trying to figure out how to add value is important. But, one of the other things that's underway is how we're developing actuaries through the educational programs and trying to expand beyond just our traditional roles in the insurance industry.

Other developments are underway there, but it's clear that each of us can take a step in that direction by improving our own professional skills and trying to diversify outside of our traditional technical role. Also, the Academy, the Society of Actuaries and others are working together to figure out ways in which the profession itself can expand into banking and securities.

**MR. RAINS:** I agree. The demand for professional actuarial services is increasing in all these places already, without us doing a lot to make that happen. Banks want to know more about this kind of business and they have the ability to get into insurance and other risk products. Some overseas markets are already very developed and some are growing.

A real key here is to start with one or the other. What customers and products do I want, and what knowledge do I want to go take them? If both of those things are up in the air, you will have a hard time focusing personal marketing efforts. But, if you want to go to these customers, then you can begin to figure out where they are in their growth and development, their needs and knowledge right now. Then you can decide what the principal will be and how to tell them what will be provided.

Alternatively, if you start by saying this is a common, very important thing that people all over the world need to know, and establish that very clearly, then it's pretty easy to build the clients. However, you do have to nail down one end of the seesaw, then start working after that.

**MR. MATTHEW COLEMAN:** I'm a new marketing actuary in the insurance industry. My new company, Creative Marketing, helps insurance companies develop annuity products that solve distribution problems. We also sell the products we design, through our distribution channel.

Actuaries in this firm are faced with the issue of presenting a product that is profitable to an insurance company, then providing our internal sales staff with sales hooks to help move the annuity product. I want to take a shot at answering the first question about how to balance insurance company profitability and the need to sell. My answer is innovation. Steve touched on this, saying that with a commodity and uniform products, it is very difficult to balance, there has to be a trade-off.

But, if you have an innovative product, our unique value as marketing actuaries is the ability to innovate and to find creative solutions that fit both the needs of the customer and the insurance writer. A couple of examples are equity-indexed annuities (EIA) and guaranteed minimum death benefits (GMDBs) on variable annuities.

The caveat to this is that we've seen a growth in the IA business as an innovation on fixed annuities and variable annuities because of these new guarantees. The downside is that you can walk into the trap of complexity. This is the complexity that backs up our innovation.

**MR. RAINS:** You're absolutely right. If the choices are to play the game or change the game, certainly the most benefit is in changing the game. There are still going to be occasions in our respective businesses where we find that you have to play the game and balance it as well.

I'll recommend another book, called *Selling The Wheel*, which talks about four kinds of salespeople selling a similar product in different markets at different times. There are times when, while "playing the game", they behave in a certain way. But, with an innovative product and a customer base that needs help using it and understanding its value, you can do something different.

While reading that book, compare the idea of a marketing actuary to wizard types. Those are people who have a lot of knowledge about a product that can really help a customer know how to get the most benefit out of it.

**MR. TONGSON:** Here is a brief marketing and pricing story. A particular client had a situation with a health product that was filed in one certain state. They had excellent experience. The loss ratios were considerably lower than necessary to pass the state requirements.

So, the actuaries argued that they needed to lower the price, because it couldn't be certified for the loss ratio on that business. However, the marketing people on the other side of the table were concerned about people from other states jumping the state line and buying the product because of the lower price. Therefore, we had the opposite situation, where the marketing people were arguing to keep the price high and the actuaries were arguing to lower it.

Chart 1

## The Marketing Actuary

- Focus

- Transaction



- Process Management



- Client Interaction



- Strategic Development

