

Navigating New Horizons ...

an interview with Eduardo Lara di Lauro

By Sarah Lawrence



Eduardo Lara di Lauro

As advances in technology and travel make this world a much smaller place, the world of an actuary is becoming significantly larger. The opportunity to communicate and work with people on an international level not only fosters new business ventures, but also makes it possible to gain the one thing actuaries are constantly seeking more of—data.

Few actuaries know this as well as Eduardo Lara di Lauro. As principal and director of Milliman's health consulting practice in Mexico and a committee member of the International Association of Actuaries Health Section, Lara di Lauro has had the opportunity to work with actuaries from many different parts of the world.

"International cooperation means we can join efforts to publish studies and analysis and share them with each other," he said. "I think specifically the Society of Actuaries has published a lot of studies that reach us even in Mexico, but we try to look at them in a more broad way. We try to see how we can adapt specific ideas into other markets."

An ability and willingness to adapt is one of the most important characteristics for any company to acquire before stepping into the international market, according to Lara di Lauro. While actuaries worldwide share many common goals, learning about a country's specific culture and market is the best first step to forming an effective business plan.

The Mexican Market

Lara di Lauro's path to becoming an actuary was similar to that of many actuaries in the United States, but there are also key differences in both the training and the market he would be entering. Mexican health care is primarily split into two sections. Approximately half of the people of Mexico, those who are formally employed by organizations, are covered by Social Security. The other half are covered by another public health insurance option called Seguro Popular (Popular Health Insurance).

"The Popular Health Insurance is mainly for the poor and for those without a formal job or Social Security," Lara di Lauro said. "But since both sectors have all of the troubles most public insurances have, like long lines and deficient quality in some instances, that's why there are private health insurance companies. It's what we call a double payment system. We pay for Social Security, but we don't use it. Then, we acquire private health insurance for pretty much the same coverage." Lara di Lauro said the population of Mexico is approximately 108 million and just 8 million have private health insurance.

Getting His Start

As a child growing up in Mexico City, Lara di Lauro said he was always interested in mathematics.

"When I had to choose my profession, I was thinking of engineering or math," he said. "But I have a sister who is also an actuary and she influenced me to study the actuarial sciences." Lara di Lauro said studying to become an actuary in Mexico is quite different from studying in the United States. He earned his bachelor's degree in actuarial science from the Science Faculty of the Universidad Nacional Autonoma de Mexico after five years of training and study, as well as passing a professional exam. From Mexico's National College of Actuaries, he passed the required exams to become a Certified Actuary in Accidents and Health. He has also earned advanced degrees in applied mathematics and business administration and finance.

Lara di Lauro entered the insurance industry in 1986 and from 1988 to 1995 worked in leading and developing the life and health insurance lines of business for three insurance companies, as well as held a position as an actuarial consultant with

Wyatt Consultants. In that time he learned why the actuarial profession was a good fit for him. “What I really like is the applied mathematics,” he said. “I like how you can apply the theoretical mathematics into a reality. Create models to describe a risk and then measure that risk in order to protect lives or property. It’s a magical thing when you create a good model and you are able to monitor your model and how it is reflecting the reality.”

Lara di Lauro said he also enjoys sharing his experiences with others. “I like how the knowledge can be shared with other professionals, such as physicians and nurses, or people specializing in IT systems,” he said. “So all together we can produce really good models and really good outcomes which benefit people, because all kinds of insurance—but mainly health insurance or life insurance—are a social good. You are providing a good to society, and I really like that.”

Finding His Niche

In 1995, Lara di Lauro began working with his specialization in managed care when he was given the opportunity to create a health insurance company from scratch. As managed care director and general manager of TPA for General de Seguros, Lara di Lauro was responsible for adapting the managed care concept to the Mexican market.

“At that time, health insurance in Mexico was mainly indemnity plans,” he said. “There was not any kind of managed care tools, and the coverage that companies used to offer were pretty much limited and without any preventive component.” Lara di Lauro attended the Arizona Health Science Center of the University of Arizona for two years to learn more about managed care, and went on to create a specialized health insurance company with concepts adapted to the Mexican environment.

“So through that effort after three and a half years, that company was the first company to receive the authorization from the National Commission of Insurance in Mexico to sell comprehensive health plans,” he said. Lara di Lauro said one of the challenges of introducing this U.S. model into the

Mexican market included changing people’s attitudes and paradigms.

“The focus was primarily to change the behavior of the provider, and also the attitude of the insurance company toward the providers because insurance companies saw themselves as just in the financing area, but they started to take action on the delivery side,” he said. “So they started to build strong provider networks and semi-open provider networks.” Lara di Lauro said, as a result, insurance companies had to start negotiating contracts with both hospitals and physicians. “And it’s the same challenge nowadays. There is still the challenge to get a better understanding of the business from the hospital’s point of view and physician’s point of view. Instead of fighting with the insurance company, it’s better to try to make win-win agreements with them.”

The Next Step

In 1999, Lara di Lauro was approached by four branches of Blue Cross Blue Shield—Texas, Illinois, Arizona and California—with their plan to expand into the Mexican market. As general manager and director of the project, it was Lara di Lauro’s responsibility to lead and develop the infrastructure to launch Blue Cross Blue Shield de Mexico as a Specialized Health Insurance Institution. This included creating a business plan assessment, achieving a work plan, making financial projections and obtaining authorization from the National Commission of Insurance. He also opened four branches and hired and trained personnel.

Unfortunately, circumstances in the U.S. changed quickly and the business venture was brought to a halt.

“We created a health insurance company from scratch and after three and a half years we had the authorization to operate this health insurance company, then September 11, 2001 came,” Lara di Lauro said. “...After September 11, they were pretty afraid and decided to stop and cancel the project. We had to properly shut down the company.”

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Consulting for Milliman

After Lara di Lauro was able to close the Blue Cross Blue Shield branches he had helped to build, he reached out to a consulting firm in Mexico called Grupo Technica. “I already knew that they had some kind of agreement with Milliman to represent Milliman in Mexico,” he said. “So I reached them and we set out to work together and put together a business plan to offer to the people from Milliman to establish their healthcare consulting practice in Mexico.”

In 2003, after almost two years of developing that business plan, Lara di Lauro traveled to the United States to make a presentation to Milliman that resulted in the creation of their health care consulting practice in Mexico. He now serves as principal and managing director of that practice.

“We provide advice to health insurance companies in Mexico, but also a couple of years ago we started to do some life consulting also,” he said. “We provide comprehensive consulting work with product development and research calculation through claims analysis and strategic planning. We do a lot of research about opportunities in the health insurance market, and also support investors to create new specialized health insurance companies.”

Branching Out

Lara di Lauro said some of this consulting work is being done in Central and South America as well, where actuaries are few and there is often a lack of proper data. “We can provide good insight or good advice to companies in those countries that don’t have enough actuaries,” he said. “In some markets there are just a few actuaries, but they are in really top positions, so they can’t really implement or make the calculations. They hire us to make those calculations or teach their people to make those calculations. It’s a good opportunity for us to work together in such markets.”

Gathering the right data is often the biggest challenge, Lara di Lauro said. “When some companies don’t have enough data, quality is the issue,” he said. “Some companies are not working hard or

not investing or placing adequate importance on the data for their health insurance products, so when you review their databases there is a lack of really important information and fields.”

Lara di Lauro said helping to gain data in these areas has a positive effect that extends beyond just that company or the country it is in. “We can adjust that information and complement that information with information from other countries and then adapt to those specific circumstances,” he said. “That’s an important part of the actuarial work we can do, gathering information from other countries.”

Advice

Lara di Lauro said paying attention to the small details of a culture is one of the most important aspects to consider when adapting actuarial business models from one country to another. “I have seen several failures introducing information systems from the U.S. into Mexico and the companies invest a lot of money trying to adapt, but they didn’t make an initial analysis asking if the basics of the system will support those differences,” he said.

Even small differences, such as the average length of a person’s name, can throw a wrench in the works if they are not considered. “In Mexico we use our father’s name and our mother’s name, and in the U.S. you just use your father’s name,” Lara di Lauro said. “So in Mexico you need an additional field to put your mother’s name and that causes a lot of changes in the system. So even tiny things could push you into failure and you need to consider that all the time.”

Teaming up with local people to research and understand the local features of an area is the most effective way to avoid such problems. “If you want to learn by yourself it’s going to take awhile, so it’s better to get support or to get advice from local people,” Lara di Lauro said. “In that way you can make a good team and know if your model or your tool is going to be able to adapt or meet the local requirements. So making that team cooperation is really an important issue to have success.”



The International Stage

As a committee member of the International Association of Actuaries Health Section, sharing data and information between different countries is often at the front of Lara di Lauro's thoughts. He has served as a life and health insurance managed care topics expert in Mexico, the United States, Panama, Chile, Germany and France.

"We have a common concern or point of view about the importance of measuring in the most proper way the risk that a health insurance company has," he said. "But then we try to apply it to each country's health system. The country health system determines or establishes how the private payer sector is going to participate and is going to grow. The basics are pretty much the same, but the way we measure the risk or the models we apply are different."

Lara di Lauro said one challenge currently being faced in Mexico and other countries around the world is a switch from the current Solvency I model to Solvency II. This new system offers more sophisticated methodologies to measure a company's liabilities, assets and capital. "The European community is upgrading to this system, and in Mexico we are going to follow that direction," he said. "So that is a great change for actuaries in Mexico. We need to change our minds and we need to change our processes. The way we have been doing things in the actuarial field in Mexico is going to change."

Lara di Lauro said this is a time to learn from colleagues in Europe, who have been working on the new system for several years. "It's a good opportunity as we are talking about cooperation between actuaries from different countries about which are the best models to measure risk under the new regulatory requirement."

While the United States still operates under a different school of methodology based upon Risk Based Capital, Lara di Lauro said there has been a lot of debate trying to encourage U.S. companies to adopt Solvency II. More cooperation between countries means more data to share and compare. "The motive is to be more transparent to the general public," Lara di Lauro said. "We want to guarantee to the public and the stakeholders that we are comparing apples with apples and oranges with oranges. It's a big challenge we're facing right now." ■

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