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Leader Interview

With Paul Stordahl



Paul Stordahl, FSA, MAAA, is the senior vice president, actuarial pricing for United Healthcare commercial markets. He started his health insurance career with Aetna, holding a variety of roles while pursuing his professional actuarial credentials. After earning his FSA, he spent 15 years as a consulting actuary with a number of consulting organizations. In addition to his professional pursuits, Paul is active in his community, volunteering with the Special Olympics and serving on the board of directors for a small, nonprofit youth camp and retreat center in northern Minnesota.

ON BEING AN ACTUARY

Health Watch: How and when did you decide to become an actuary?

Paul Stordahl: I decided to pursue an actuarial career during my sophomore year of college, after I had decided to change my major from electrical engineering to mathematics. I began searching for career options that would capitalize on my strong aptitude for math and soon discovered the actuarial profession. This was before the Internet, so I actually had to send a letter to the Society of Actuaries (SOA) requesting information about the profession.

HW: What other careers did you consider? Or if you have had other careers, can you describe them?

PS: My original career goal upon graduating from high school was to become an engineer. However, my college courses quickly steered me toward mathematics. Once I discovered the actuarial profession, I never considered any other careers.

HW: What was your favorite job before you became an actuary?

PS: I was a camp counselor for two summers during college. I didn't make a lot of money in that job, but it was an incredible experience.

HW: What has been most crucial in your development as an actuary?

PS: I started my career at a large, multi-line insurance company and then spent approximately 15 years as a consulting actuary before again working for an insurance company. Looking back, I believe the experience I gained as a consultant was most impactful in my development. In addition to the actuarial skills, I learned the importance of selling skills, which are really listening skills—listening to understand the problems that a prospective client is facing and then working to identify a potential solution (and then convincing the prospective client to hire you to implement the proposed solution). In addition to listening/selling, I learned how to communicate clearly and the importance of following through on your obligations. While I learned these skills during my time as a consultant, they have proven invaluable during my subsequent roles back in the insurance industry.

HW: Looking at your career as an actuary, do you see any important learning milestones or turning points in your career?

PS: I'm sure I'm not alone in feeling that the most significant learning milestones were many of the mistakes I made. This ranged from SOA exam failures, which motivated me to study harder, to analytical mistakes or omissions that had an adverse impact for my company. One of our company's leaders once told our team that it's okay to make a mistake, just make sure you learn from it. That's advice that I repeat often—to my team and my kids.

HW: As an actuary, what keeps you awake at night?

PS: As a health care actuary, the pace of change in the political and regulatory environment over the past five years has been tremendous. With each change comes a responsibility to understand the change and the impact of the change on our existing

business, to identify any new business opportunities that may arise due to the change, and ultimately, to determine appropriate business and pricing strategies. With all this change, there is one question that routinely keeps me up at night: “What have we missed?” I’m constantly worried that perhaps our interpretation of a new law or regulation is incorrect. Or that our understanding of the business impact of a change may not be accurate. Or that our expectation of how the rest of the industry will respond may not be right. Or, finally, that there may be changes we simply miss.

ON BEING A LEADER

HW: How much did your actuarial training prepare you for this role? What additional training—formal, informal or otherwise—did you need to be successful?

PS: My college education and the SOA exam process formed the basis of the training needed to be successful in my role. However, these simply set the stage. The vast majority of the training that prepared me for this role was learned on the job. I think having a variety of different roles (working for both insurance companies and consulting firms) was a significant benefit to my development. Regarding the SOA exam process, I believe that one of the greatest benefits is not the material on the syllabus (although that is certainly critical learning). Instead, the process of frequently picking up a new set of study materials and learning this new subject matter at a very detailed level is a skill set that is incredibly valuable in “real life.” For example, shortly after the passage of the Affordable Care Act (ACA), I was asked to help determine our company’s post-reform business strategy. The first thing I did was download a copy of the law and start the painstaking process of reading through it, taking notes on key provisions and seeking input from others on areas that I didn’t fully comprehend. This process was exactly the same as the one I would go through every six months while I was taking actuarial exams.

HW: What are the most important lessons you’ve learned in your role?

PS: The most valuable leadership lesson I’ve learned is to support and trust my colleagues and my team. The power of the team is greater than the power of any single person. I’ve learned that I can’t possibly know everything. The only way that I can be successful is for our team to be successful. In order for the team to be successful, they need to have the training and resources they need to get the job done right.

HW: Let’s say you’re hiring your successor. If you’re presented with two actuaries with equivalent experience and training, what characteristics will help you choose one over the other?

PS: In addition to the actuarial training and industry experience needed to lead an actuarial team, I would focus on two subtle skills or characteristics that I believe are critical for actuarial leaders: humility and listening skills. Early in my career, I was taught that it’s important to convey confidence. And while this is still good advice, I believe we—as actuaries—need to be constantly aware that our view (or our analysis) may not be right. It takes humility to embrace that the collective wisdom of a team exceeds the wisdom of any single individual. Finally, we too often seek to be understood, instead of seeking to understand. Individuals who take time to truly understand the perspectives of others (particularly those with whom we may disagree) will find getting to common ground much easier than those who instead are focused on getting others to understand their own perspective.

HW: Describe the biggest one or two challenges that you have faced in your role.

PS: The Affordable Care Act—no question! Volumes have been written about the actuarial complexities associated with the ACA, and I won’t attempt to rehash the debate here. Prior to the ACA, pricing actuaries had to project the future cost levels of their own (both existing and future) policyholders. This environment had its own set of complexities and unknowns, but actuaries had developed approaches that resulted in tolerable risk fluctuation levels and reasonably stable pricing. The ACA ushered in an entirely new marketplace in both the individual and small group markets. Prior claim experience was virtually worthless, since a carrier’s own claim experience levels were no longer indicative of its future liability. (The ACA’s risk adjustment program resulted in each insurer sharing in the total average risk of the market across the entire state.) Insurers were required to estimate future cost levels without any relevant data on which to base their cost projections. Further, new entrants and the politicized environment resulted in downward pressure on premium rates. Last-minute (and ongoing) politically motivated changes to the market rules added further confusion. The results (from an actuarial perspective) were devastating. The majority of new entrants (co-ops) went bankrupt. Most carriers that participated in the individual market incurred substantial financial losses. Interestingly, while the individual market has seen dramatic instability, the small group market has been very stable. We will be debating the ACA for years to come. For this actuary, who was one of many in the middle of this, the ACA was easily the biggest professional challenge I’ve faced in my career.

HW: What advice would you give to another actuary going into a leadership position for the first time?

PS: Listen! Don’t fall into the trap of thinking that leaders are supposed to have all the answers. Instead, be focused on asking all the right questions. ■