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Educating Actuaries with a Business Orientation

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A seminar was held in Berlin, Germany at the end of 2003 bringing together actuarial educators from around the world. The seminar was run jointly under the auspices of the International Actuarial Association and the Groupe Consultatif in Europe. The theme was entitled “educating actuaries with a business orientation.” However, a sub-theme was how actuarial education might be changing in the future. The title came from a paper given by Cathy Lyn, Teresa Palandra and Chris Daykin at the International Congress of Actuaries in Cancun, Mexico in 2002.

One part of the seminar addressed the skills that employers looked for in actuaries. These included: technical actuarial skills, data collection and cleansing, modelling skills, professional values and ethics, decision making, judgment, international language and cultural awareness, communication skills, IT and computer skills, time management skills, project management skills, team work both in actuarial and multi-discipline teams, leadership skills, negotiation skills, influencing skills, confidence and competence, creativity, legal awareness, the need to understand the business and self motivation.

Many of these skills are not exclusively actuarial, but it is the combination of skills that a good actuary possesses that makes the actuary useful. Not all employers will require the full range of skills, but it is clear that few employers

today need many people who are only good at the technical actuarial skills and cannot communicate with others in the company or with external people. The actuary provides the bridge between the technical modelling and the implications for the business.

Another part of the seminar concentrated on how these wider business skills might be acquired. Here there was more variation in how this might be done. It is clear that wider business skills will be acquired over the whole working life of the actuary. Continuing Professional Development/Education (CPD/E), therefore, has an important part to play in this respect. Some associations think that some introduction to these skills should form part of the initial training process pre-qualification. Others prefer that this is left until after initial qualification. One reason for starting as part of the initial qualification process is that the attention to these wider business skills then forms part of the compulsory syllabus. The need to undertake CPD/E is voluntary in many associations. There is thus less pressure from the professional body for the acquisition of these skills although many employers will demand them as part of a regular employee review process. In some associations CPD/E is becoming compulsory for a wider group of actuaries, many of whom will include development of wider business skills as part of their annual CPD/E planning record.

Assessment of these wider business skills will not be through traditional time constrained examinations. In many cases the assessment aspects will be done mainly through the employer. As another example, in several associations attention to professionalism skills is the responsibility of the association and each new actuary is asked to attend and actively participate in a compulsory course. Different methods of delivery and assessment could be considered for several of these wider skills if they are to be encouraged. The need for actuaries to have practical work experience before they undertake certain roles in some associations is also a relevant factor.

In another session, the seminar participants discussed what contextual studies could be useful for actuaries. These included: Corporate Finance, Accounting, Law, Economics, Genetics, Medicine, Management, Demography and Social Policy. The key considerations here are firstly that the need for some of these studies will vary from actuary to actuary although

some, like Economics, are core to both the IAA Education Guidelines and the Groupe Consultatif Core Syllabus. Secondly, the main purpose for studying in contextual areas is that actuaries need the ability to ask the right question, access data and understand the interpretation of the results. Actuaries do not need all the details, but they must be able to talk with specialists in these contextual areas.

In the United Kingdom the training requirements for actuaries for Fellowship qualification were revised for those entering the profession after June 30, 2004. The Institute and Faculty have addressed the need for educating actuaries with a business orientation in a number of different ways.

First, a student now has to take as one of the early stage assessments a Business Awareness module. This requires some Internet-based study, attendance at a two-day course and an Internet-based assessment after the course. The course looks at the business environment in which a student will be working, including the related challenges and how to tackle business-related problems. A business game is included as one of the activities. The module also addresses professionalism and the need for lifelong learning.

Secondly, each student has to take a double subject called Core Applications Concepts. This subject aims to help students understand how an actuary approaches problem solving in a generic sense. The need to understand the business context and look for appropriate business solutions is stressed. The student also has to pass an examination in Communications that has been a requirement in the United Kingdom since the 1994 examinations.

Thirdly, at the Specialist Technical Stage a student has to choose two subjects in which to specialize. These are chosen from a list and include traditional application areas such as life insurance, general insurance, pensions and investment. However, if a student has a qualification in another discipline, which the Education Committee considers is at an appropriate level, then an exemption may be given from one of these Specialist Technical subjects. Several students who have MBAs have used these as a qualification leading to exemption. This was felt by the education strategy design group as a more appropriate way of widening the examination structure to allow more room for business topics without going to the more difficult option of offering examinations through the profession in business areas.

The other key way in which the acquisition of business skills has been addressed is through the compulsory requirement for work experience during which time the actuarial student is gaining work-based skills. A three-year work experience period had been required

in the Institute for many years, but the new scheme pays more attention to the outcomes and skills gained. Students are required to keep a logbook of work-based skills addressed. The framework for work-based skills has seven key dimensions: technical application of actuarial skills, judgement, professional and ethical, communication, commercial, information communications technology and management (personal and/or people).

Students are expected to have regular meetings, typically at six-month intervals, with their work-based skills supervisor and in each six-month period they are expected to plan to develop skills in at least one of these dimensions. Progress is reviewed by the supervisor at the end of each six-month period by discussion both in general terms and by using a review question that the students have been given to prepare as part of the preliminary work before the review session. By the time the student has qualified there should be evidence of skill development in all seven key dimensions. It is expected that for most students entering employment straight from university, that the time to acquire these skills will typically be three years. However, if the student has previous work experience, the time taken on work-based skills acquisition may be shorter. This process puts more responsibility on the employer in contributing to the qualification process. However, consultation with employers showed that the logbook that the profession required to see before qualification was linked to career development activity within the companies. Guidelines have been given as to typical skills coming under each of the seven key dimensions, but the employer is free to use any competency matrix that they already have with appropriate mapping. It is hoped that the logbook will help young actuaries become used to the process of development needs identification and evaluation and will be an important record to take forward into CPD/E regimes.

This paper has looked at the broad agreements that were reached in Berlin by representatives of actuarial associations around the world on business skills for actuaries and has also looked at how these ideas are developing in the United Kingdom. The final session in Berlin suggested that more emphasis on business skills might be put into education guidelines both in Europe and worldwide. These would refer to the need for actuaries to look at the following skills: communications, professionalism, business skills, project management and problem solving. The descriptions may differ, but the need to educate actuaries in a business context is one that is definitely being recognized. □

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