



SOCIETY OF ACTUARIES

Article from:

The Actuary

February 1995 – Volume 29, No. 2

THE COMPLETE ACTUARY

The entrepreneurial actuary

by Jeffrey D. Miller

Over the past five years, a growing number of new businesses have been launched in the United States. Many were started by talented people who held responsible positions in large companies but were displaced because of reorganizations, mergers, downsizing, personality conflicts, and a variety of other uncontrollable circumstances. Many of the new entrepreneurs now are realizing more success than would have ever been possible in their previous positions.

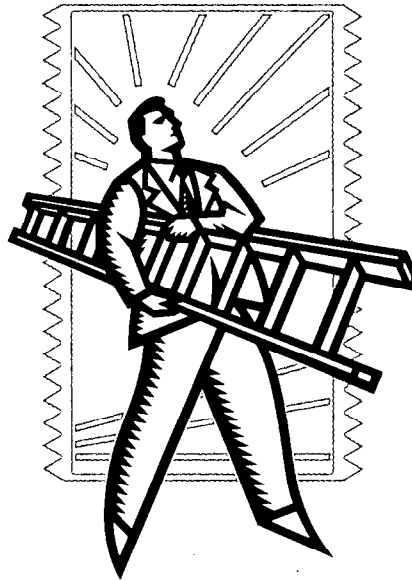
I suspect more new companies have been started by actuaries in the past five years than in all the years since the founding of the actuarial organizations North America. Many of these new companies are consulting firms. However, a surprising number of these start-ups have pursued unique and nontraditional business opportunities for actuaries.

The life of an entrepreneur is not right for many actuaries. However, entrepreneurship is an option worth considering for many actuaries who are experiencing major career changes.

What's your passion?

Every successful entrepreneur I know has started with a passion for new business ventures. Starting a business always turns out to be more difficult than anticipated at the outset. Persons taking a logical and detached approach to their business ventures are very likely to become discouraged when unexpected challenges arise. Only those who have a passion for their ventures are able to look beyond the unexpected challenges and overcome them.

Passion is sometimes rare among actuaries. Our training teaches us to be objective and professional as we approach problems. However, as an entrepreneur, the problems you face are not always objective, and the



people you deal with are not always professional. Actuaries must always maintain their professional standards and ethics in performing actuarial services. However, your actuarial credentials don't cause suppliers or creditors to treat you any differently from others. Actuarial entrepreneurs must participate in the guerilla warfare necessary to build a successful business.

Sell something

Most of us have heard that "nothing happens until somebody sells something." This phase may often be aggravating for senior actuaries in large insurance companies or large consulting firms. However, its truth comes home quickly for the actuarial entrepreneur.

Selling actuarial services or related products is not the same as selling cars or life insurance policies. A talented actuary who has a passion for his or her work will find many potential customers. However, you must get exposure and recognition. Opportunities will not come to you over the telephone in the first few years of your business, no

matter how much experience you have. You must let potential customers know what your services or products are. Everyone has his or her own way of promoting products or services, but the most effective way I have found is visiting potential customers in person.

Cash flow

Cash flow is always a challenge for new businesses. The faster your business grows, the more challenges you have. If you have accumulated cash reserves before you start your business, that's great. However, if you don't aggressively pursue cash flow, your cash reserves will disappear very quickly. Realities of cash flow management are particularly sobering for those who have spent a long career in large organizations.

What about bank loans? Bank loans can be an important source of short-term capital. However, I think the rules, written or unwritten, require bankers to wait until a business' first anniversary to lend it money. My company actually had bankers visiting our office and leaving their cards on our first anniversary.

Most actuaries start businesses that involve intangible products or services. Bankers are much more comfortable with collateral that they can see and touch. So, you will have to put in the effort to find bankers who are willing to understand your business. No doubt, many banks are aggressively seeking loans, but service businesses still present a challenge.

Finally, banks are only a source of short-term capital. Most entrepreneurs prefer to rely on retained earnings to finance their long-term expansion.

Loneliness

There is no getting around it, being an entrepreneur is a lonely existence. Most actuaries enjoy working with other actuaries. However, such

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Spring study helps and exam seminars offered

An eight-day intensive seminar for students preparing for Course 150 will be held April 1-8 in Austin, Texas. To register, use the registration form in the SOA 150 Study Notes for May 1995, or contact Dr. James W. Daniel, Director of Actuarial Studies, University of Texas at Austin, 4212 Cat Hollow Drive, Austin, Texas, 78731-2004; phone or fax, 512/343-8788.

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The following intensive review seminars, sponsored by Temple University Actuarial Institute, will be conducted in Philadelphia:

Course 140	April 8, 9
Course 151	April 8-10
Course 160	April 22-24
Course 165	April 7, 8
Course 200	March 30-April 2

These review seminars, also conducted in Philadelphia, are offered by the Casualty Actuaries of Mid-Atlantic Region (CAMAR):

Course 100	April 1-4
Course 110	April 6-9
Course 120	April 23, 24
Course 135	April 21, 22
Course 4A	March 26-29
Course 4B	April 7-9

For more information, contact Bonnie Averbach, Program in Actuarial Science, Ritter Annex 475 (004-00), Temple University, Philadelphia, PA 19122, or call 215/204-8153.

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Exam preparation seminars for the May 1995 exam period will be conducted in April and May in Chicago and New York for Courses 120, 130,

135, 140, 150, 151, 160 and EA1-A. For details, contact Prof. S. Broverman of the University of Toronto at his *Directory address* or call 416/978-4453.

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New study manuals for courses 120, 130, 140, 200, and 230 are available from Actuarial Study Materials (A.S.M.). Textbooks for all courses and other study manuals also are available. See your SOA Study Note package for details or contact A.S.M., P.O. Box 522, Merrick, NY 11566; phone: 516/868-2083; fax: 516-868-6595.

A.S.M. will sponsor an intensive three-day problem-solving workshop for the EA-1B exam on April 21-23 in New York City. For details, consult your SOA Study Note Package or call Harold Cherry at 516/868-2924.

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teamwork is rarely possible for new actuarial entrepreneurs. Partnerships are very popular. However, taking on a partner in a new business poses at least as many challenges as a new marriage. Based on personal experience, I strongly advise entrepreneurs to be very careful and deliberate in establishing partnership arrangements.

Networking is extremely valuable for all entrepreneurs. You can share your dreams and frustrations with friends who are not necessarily partners in your business. You can establish working relationships with other entrepreneurs on a case-by-case basis. Such relationships are particularly important for actuaries, because no single actuary has all the right answers.

Self-esteem

Finally, an actuarial entrepreneur must constantly work to maintain his or her self-esteem. Many actuaries who have spent long careers in large organizations begin to see themselves in terms of their companies rather than as individuals. If your career goals are expressed in terms of a position in one company, then leaving that company can be devastating to your self-esteem.

Entrepreneurs never get promotions and never get raises. Thus, alternative sources of self-esteem must be found. The very survival of your business will depend on your attitude when you get up each morning, and no one can take responsibility for that but you.

The bottom line

I believe the actuarial profession needs more entrepreneurs. I always encourage actuarial entrepreneurs to start their own organizations, and three actuaries who have worked for me in the past have actually done so.

If the ideas in this article don't scare you to death, and you have a passion for a particular product or service, then go for it!

Jeffrey D. Miller is president of The Miller Group, Overland Park, Kansas, and a member of the Committee on Management and Personal Development.

Correction

In the December issue of *The Actuary*, a photo of Krzysztof Ostaszewski, Hartford Life Insurance actuary, was incorrectly identified as that of Krzysztof Stroinski, president of the Polish Society of Actuaries. *The Actuary* apologizes for any confusion this may have caused.