



SOCIETY OF ACTUARIES

Article from:

The Actuary

January 1996 – Volume 30, No. 1

Nontraditional actuarial roles worth the risk

by Linda Heacox
SOA Public Relations Specialist

Trying to avoid change may be the greatest risk of all when it comes to actuaries moving into new and broader professional roles, say FSAs Stephen Brown and David Drury. The risk is well worth it, according to Brown, chair/CEO of John Hancock Financial Services, and Drury, chair/CEO of Principal Mutual Life Insurance, who spoke at the SOA annual meeting session, "Opening Up Your Company to the Use of Actuaries in Nontraditional Roles."

Session moderator David Neve, second vice president, Principal Financial Group, defined traditional actuarial roles as those relying on the technical training actuarial students receive, and nontraditional roles as broader business roles. Neve is the chair of the Committee on Management and Personal Development, sponsor of the session.

Broader scope of work overtaking profession

Brown identified five trends he believes are rapidly changing the role of actuary within their traditional industries:

- 1) Insurance companies increasingly offering investment products and financial services—These new products require actuaries to take on broader-based quantitative work in investment and finance.
- 2) Companies moving away from risk business and toward fee-based and service businesses—As insurers assume less risk in certain businesses and opt to receive fees for their services, clients are assuming more and more risk. Clients, therefore, will have to decide just how much risk they are willing to assume. The shift toward administrative services only (ASO) business and away from insured employee benefit programs and the shift toward alternative guaranteed

investment contracts (GICs) from traditional GICs are examples of trends in this direction.

- 3) Need for asset/liability management within the insurance industry—While MBAs possess the advanced math skills to assess a portfolio's assets, actuaries are most expert at assessing liabilities. Brown's company finds it much more effective to train actuaries to evaluate the assets in a portfolio than to teach others to assess the liabilities side.
- 4) Increased complexity of life and annuity products—Customers want variable products, and individual clients want to have the choice of multiple portfolios for their variable annuities. These products require more careful analysis by actuaries, more precise analysis of each type of risk, and more sophisticated pricing techniques because of the underlying guarantees. All these are areas of traditional training for actuaries.
- 5) Increased sophistication of clients—Clients crave more and better information on which to base their buying decisions. For many years, Brown's company sent its actuaries along on sales calls to its group clients. Today, actuaries are also part of the marketing teams for retail clients. Agents, brokers, and clients' advisors, such as accountants and attorneys, want access to the technical expertise actuaries offer.

"Companies like Fidelity are now putting actuaries on teams of experts for specific product lines, such as pension plans, and offering this expertise to clients much like a consulting service," Brown explained.

He praised the SOA for redesigning its education curriculum. "This is the kind of focus we need to ensure that

actuaries keep their competitive edge in the marketplace."

Brown believes in actuaries' actively managing their careers. He urges them to maximize quantitative skills by applying them to broader business areas. The combination of an actuary's problem-solving skills and advanced math skills can be applied to numerous business issues with great benefits. For example, he cited training in complex modeling procedures. "Investment management and manufacturing quality control both benefit from actuarial-type analysis," he said.

Intense competitive pressures cause companies to focus on improving their financial results. The actuary's analytical skills can be of benefit here in interpreting those results, in helping to manage them, and determining ways in which to improve them.

Brown believes the most crucial interpersonal skills are learning to communicate well and learning to manage people. He suggests seeking varied assignments, taking advanced management courses, asking for committee assignments, and working on communications skills that will enable the actuary to talk with consultants, colleagues, and their own senior management in language they understand.

Reduce risk with experience

Dave Drury not only believes in the nontraditional course, he has taken it. Working for Principal, a leader in using actuaries outside the actuarial department, has helped. Eight of the 12 CEOs in the company's 116-year history have been actuaries. An actuary serves as Principal's CFO. Its group insurance and managed care business, individual insurance, business insurance, information services unit, strategic and financial development area, and the corporate tax department

are all headed by actuaries. Actuaries also serve in operational management roles below the business unit head level, work in production and marketing research and development, serve as product managers and product champions, and on asset/liability management teams.

In his own career, Drury said he spent the first quarter century within the actuarial function but serving on some "distinctly nontraditional assignments. As a trainee, I was in policyholder service, investment, corporate planning, and in mainframe computer programming. Then, as an FSA, I headed the financial reporting and tax area and gradually accumulated

responsibilities for the remaining actuarial units." Following that, Drury became CIO, then president & COO, and finally, a year ago, chair/CEO. "When I look back at it," said Drury, "I wonder whether I ever was a 'real actuary.'"

Drury urged other actuaries to follow his example by expanding their current skill sets. To do so, he offers this advice:

- Network in your own organization. Establish relationships in the company outside the actuarial department.
- Develop new skills; improve ones you know are inadequate. Communication is a crucial one

and should include skill in presentation, negotiation, and persuasion.

- Get exposure. Seek out positions on committees and task forces to demonstrate that actuaries have more to offer than technical skills.
- Lead. Show you can achieve results.

His advice to companies is based on Principal's approach — a planned, structured rotation of job assignments that allows the actuary to develop various skills and reduces the company's risk when assigning actuaries to nontraditional tasks by giving those actuaries experience.

Anderson Memorial Fund established to support actuarial research work

by Linda Heacox
SOA Public Relations Specialist

Friends and colleagues of the late consulting actuary, James Charles Henry (Jim) Anderson, have immortalized his pioneering spirit in a new memorial fund to be administered by the Actuarial Education and Research Fund (AERF). AERF Executive Director Curtis Huntington said, "The fund will seek out work that is visionary, iconoclastic, or innovative in finance, actuarial science, and related fields and reward it."

That mission statement would have pleased Anderson, who died in 1993. He was known for his far-reaching thinking about life insurance and its role in society. The author of many respected works, he won the 1958 Triennial Prize of the Society of Actuaries for his landmark paper, *Gross Premium Calculations and Profit Measurement for Nonparticipating Insurance*. He was an early champion

of universal life insurance and an expert in the design and marketing of equity-linked products. A graduate of the University of Manitoba, he served in many capacities in the corporate insurance world, and retired as president of Tillinghast, Atlanta. He had a deep understanding of the industry and wrote about it extensively.

The AERF has already collected about \$400,000 from fund sponsors and general solicitation of contributions will begin soon to support such activities as:

- Commissioning papers and other work in actuarial or related fields identified as needing study
- Judging the best papers submitted and offering cash awards
- Providing awards for excellence in achievements relating to financial or actuarial matters

Members of the Anderson Memorial Group, which conceived and established the fund, have compiled a collection of Anderson's writings in book and CD-ROM forms. These collections are being sent to contributors to the fund — \$100 contributors will receive the CD-ROM, and \$1,000 contributors will receive both the CD-ROM and the book.

The AERF is comprised of members of six organizations representing actuaries — the American Academy of Actuaries, the American Society of Pension Actuaries, the Canadian Institute of Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries. An advisory committee is being formed of members from Australia, Canada, the United Kingdom, and the United States. It will counsel and guide the memorial fund.