



2019 HEALTH
MEETING

JUNE 24-26 | PHOENIX, AZ



**Session 132, Independent Consultants: What to Know to be a
Successful Independent Consultant**

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2019 Health Meeting

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Session 132, Independent Consultants: What to Know to be a Successful Independent Consultant

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SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Starting A Successful Practice as an Independent Consultant



Introduction

- Worked at one of the Blues and a large consulting firm
- Owner of Healthcare Actuaries LLC
 - Acquired in 2006
 - One-person firm with subcontractors
- Part-owner of Precision Actuarial Inc.
 - Started in 2015
 - Majority owner is a service-disabled veteran
 - Grown to a six-person company

Starting a Successful Practice as an Independent Consultant

- Why
- How
- Day-to-Day
- Growth
- Risks

Why: Why do you want to start your own practice?



Why do you want to start your own practice?

- Motivation
- Strengths
- Ambition
- Opportunity
- Unique skills or market segment (niche)

How: How to start your own practice



How do you start your own practice?

Approaches

- Start from scratch
- Buy another practice
 - Retiring
 - Selling for other reasons
 - Business brokers/recruiters
- Buy a client list
 - Take over from another business but with a new company
 - Risk in client retention

How do you start your own practice?

Buying a business or clients

- Do you research
- Independent appraisal
- Reason for sale
- Clients
- Services offered
- Fees charged to clients
- Existing contracts
- Existing relationships with other companies/agencies

How do you start your own practice?

Funding

- Small business loan
 - Small Business Administration
 - Direct through bank
- Self-funded
 - Savings
 - Bank loan
 - Second mortgage
 - Home-equity loan
- Payment arrangement (profits shared with previous owner, for example)
- Have your lawyer review the payment arrangement and sale contract
- Have an independent appraisal of the sale price
 - Hire your own
 - Trust the seller's independent appraisal (risky)

How do you start your own practice?

Transition

- Change in ownership announcement
- Offer to address any concerns from clients
- Change as little as possible at first
- Retain prior owner if possible; some options include:
 - Pay hourly rate for consulting
 - Negotiate rates and time at time of sale
 - Transition owner out over time (but review management styles to make sure you will not clash)

Day-to-Day: The things you need to do to run a successful practice



The things you need to do to run a successful practice: Business Structure

- Self-employed, corporation, or LLC
 - Not incorporated
 - LLC
 - LLC filing as an S-corporation
 - S-corporation
 - C-corporation
 - Federal Employee Identification Number
- Subcontractors or Employees?

The things you need to do to run a successful practice:

Location

- Where
 - Office space
 - Shared office space
 - Home
 - Coffee shop?
- Discussion
 - With e-mail, cloud storage, and phone, easier than ever to locate anywhere
 - Recommended that you are able to send and receive mail and packages securely:
 - Locking mailbox
 - Driving distance to post office
 - Post office box
 - Pickup service
 - Personality
 - Can you work from home without too much distraction?
 - Are you able to neither work too little or work too much?
 - Home-based
 - Lower cost
 - Recommend that you have power backup, good internet, and backup plan if either are down

The things you need to do to run a successful practice: Skillset

- You need to be a jack-of-all trades
 - Have, or learn, the skills
 - Hire out; many services are available online now and are affordable
- Tasks include:
 - Project management
 - Accounting and taxes
 - Legal services
 - IT: website, e-mail, phone, cloud storage, computers, printers
 - Supplies: staplers, pens, paper, and so on
 - Licensing (state, city)
 - Banking
 - Software
 - Insurance
 - Printing
 - Mailing/shipping (less important now)
 - Design (logo, website)

The things you need to do to run a successful practice:

Appearance

- “Look like a big business”
- It may be just you, but get used to using “we”, “our”, and other plurals. You are a team.
- Professional website design and client-facing
- Voicemail
- E-mail signatures
- Company name and logo; use a professional
- Business cards
- Register on Dun & Bradstreet (free)

The things you need to do to run a successful practice: Workers

- Subcontractors or employees?
 - Depends on business volume
 - Start with subcontractors
 - Recruiting
 - Networking
 - Other small firms
 - If/when you have enough business volume, consider moving to full-time employees
 - Becomes more economical when you have more than one or two subcontractors
 - Subcontractors may prefer their existing arrangements, however

The things you need to do to run a successful practice: Insurance

- Insurance agents
 - Need an agent for general business insurance
 - May have a different agent for professional liability (errors and omissions); CCA has resources
- Other insurance may include:
 - Workers compensation
 - Auto
 - Umbrella insurance
- Get the highest limit you can; contracts often require
 - \$500,000 – \$2 million for general liability
 - \$1 million – \$5 million for professional liability

The things you need to do to run a successful practice:

Relationships

- Brokers
- Larger actuarial firms, if you have something to offer that they do not, for example:
 - Woman-owned
 - Minority-owned
 - LGBTQ-owned
 - Veteran-owned
 - Others
- Other actuarial firms, especially if in different areas of practice
- Associations
- Recruiters

The things you need to do to run a successful practice:

Pricing

- Set your fees according to your business strategy, but you also need to be competitive
- Sample fees/costs
 - Your experience where you have worked before
 - Public information
 - Requests for information
 - Companies offer pay services that show fees for government projects
- Fee Approach
 - Hourly
 - Fixed fees
 - Combination
 - Depends on client and contract
 - Many clients prefer a fixed fee
- Costs
 - Consider true cost of employees, including taxes, licenses, training, continuing education
 - Consider business costs, such as rent, insurance, licensing, continuing education, supplies

The things you need to do to run a successful practice: Continuing Education

- Do not forget to keep up with your continuing education
- Consider joining the Conference of Consulting Actuaries, with resources for independent consultants
- Read actuarial materials
- Participate in webcasts and conference calls (SOA, CCA)
- Attend actuarial meetings
- Keep track of your hours

Growth: How to grow your practice



How to grow your practice

- Established relationship with clients, brokers, and others
- Referrals!
- Proposals
 - Online free services for RFPs
 - Google for RFPs
 - Pay services for RFPs
 - Networking/referrals
- Attend conventions and conferences; network
- Advertising/cold calls
- Website
- Acquisition of other actuarial firms

Risks: Discussing some of the risks of running your own practice



Discussing some of the risks of running your own practice

- Mistakes in your work product
 - Peer review is essential
 - A bad reputation can sink you
- Growing too fast
 - Take on too much work
 - Work quality suffers
 - Deadlines are missed
- Cash flow
 - Annual reports will tend to cluster work during certain periods of the year
 - Need to be able to budget for low-volume periods
 - Need to be able to budget for payment timing

Questions?





**SOCIETY OF
ACTUARIES®**

SESSION 132:

WHAT TO KNOW TO BE A SUCCESSFUL INDEPENDENT CONSULTANT



ED PUDLOWSKI

JUNE 26, 2019

About myself...

- ✓ Started my career with a large health insurance company
- ✓ Moved into consulting coincidental with initiation of Financial Accounting Standard No. 106
- ✓ Worked at Mercer, EY, and Buck
- ✓ COO of a consulting division of a voluntary benefits insurance company before starting **MorningStar Actuarial Consulting**

About MorningStar Actuarial Consulting...

- ✓ Formed in June, 2017

- ✓ Partnered with another actuary after forming

- ✓ Services:
 - Actuarial Support for Innovative Healthcare solutions
 - Actuarial Support for Plan Sponsors
 - Expert Witness Testimony

Why I started my own firm...

- ✓ Right time in my career
- ✓ Experience in managing business and revenue growth
- ✓ Always looking for a new challenge
- ✓ Ability to leverage an expanded network

Define how your firm will be known

- ✓ Market Differentiation
- ✓ Core Values
- ✓ Services / Solutions
- ✓ Marketing Strategy:
 - Target Market (How big? Who?)
 - Advertising (Where?)
 - Price Point (Strategic versus Commodity)



The Business of Your Business



- Business Plan
- Legal Entity Type
- Business Licenses
- Government Filings
- Articles of Incorporation
- Registered Agent
- Accounting & Finance
- Taxes (Federal, State, Local)
- Legal
- Insurance
- Agreements
- Software
- Technical Support

Fee Structure

- Actuaries versus other professions:
 - 1.34 Million attorneys in the US in 2018 (www.statista.com/statistics/740222/number-of-lawyers-us/)
 - 1.3 Million accountants (650,000 are CPAs) in 2018 (www.ais-cpa.com/number-of-cpas-in-the-usa/)
 - 19,700 employed as actuaries (<https://studentscholarships.org/professions/499/employed/actuaries.php#sthash.Xt1znpbo.dpbs>)

- Market for the services offered:
 - How many other actuaries are doing what I do?
 - Commodity versus value-based / strategic consulting

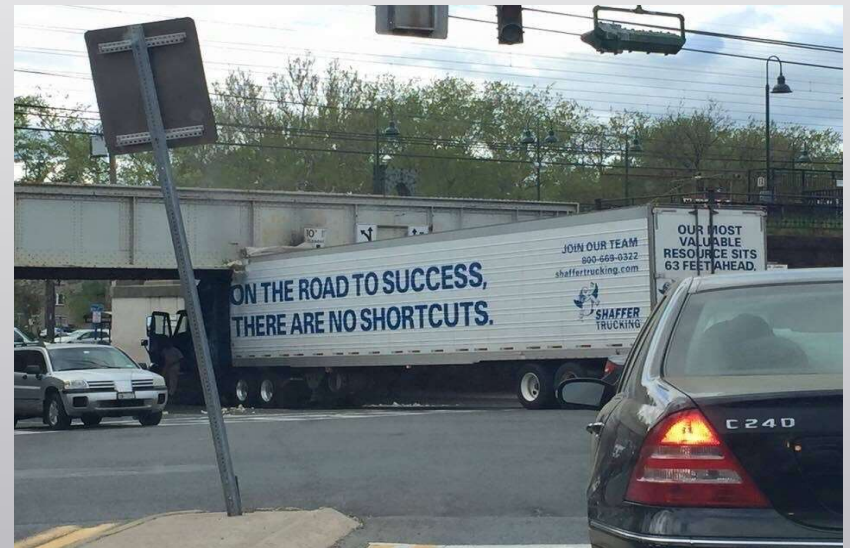
- Cost structure:
 - What are my expenses (start-up costs, loans, ongoing)?
 - How much do I want to take as salary?

Setting Fixed Fees

- Hours x Hourly Rate = Fixed fee for project. What so hard about that?
- Competition
- My value to the project versus other competitors
- Prospect budget

My recommendations

- ✓ Go deep then go wide
- ✓ Be opportunistic where it makes sense
- ✓ Be honest about your skills / experience
- ✓ Refer business
- ✓ Learn the business side of your business
- ✓ Leverage and expand your networks



Questions?

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