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From the Editor

Protecting the Future Image of the Actuary

by Sim Segal



Editor

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A Proud Century

For most of the past century, the environment was favorable for actuaries:

- Technical skills were seen as critical for executives. This was due to existing management theory and a lack of computing technology.
- Actuaries faced minimal competition. The Glass-Steagall Act of 1933 maintained a separation between insurers, banks and investment firms.

As a result of the favorable environment, actuaries thrived. Actuaries often held C-level positions (e.g., CFO, CEO). Companies put actuaries with superior technical skills on a fast-track of promotions to the senior level. Management automatically promoted actuaries upon their achieving the ASA and FSA designations.

The Current Reality

The environment for actuaries has changed.

Technical skills. Technical skills are no longer considered critical for executives. Today, our employers want business savvy skills. In an SOA survey, employers ranked business acumen and business communications at the top of their list of desired skills (see Chart 1). A recent *Harvard Business Review* special edition on leadership focused almost exclusively on business savvy skills. Articles discussed topics such as emotional quotient (EQ), listening skills and the psychological profile of a leader (see Chart 2). Further, according to Eli Amdur, career coach, weekly newspaper columnist and adjunct professor of executive communication and leadership, MBA program, Fairleigh Dickinson University:

"Executives concur . . . what keeps them up at night is the glaring inability to communicate effectively at virtually every level of the organization. Fittingly, they place a growing premium on communication skills, not the least of which is the ability to listen."

In an SOA survey, our employers indicate that actuaries lack the skills most needed by executives. As Chart 3 shows, we get highest marks for quantitative skills and honesty. However, we get lowest marks for the skills seen as most important for executive positions—business leadership, thought leadership and "financial skills" (knowledge of financial markets and risk management skills). A side-by-side SOA survey of actuaries and our employers also reveal some disturbing facts. We need the most improvement on a range of business savvy skills (see Chart 4). However, the survey revealed that we are also not proactive, so motivating ourselves to change and improve our business savvy skills is a challenge. Lastly, we do not seem to agree with our employers, in that we still want to work on improving our ethics and quantitative skills—our comfort zone.

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Competition. Actuaries are now facing more competition. The Gramm-Leach-Bliley Act of 1999 has opened the door to competition from bankers and Wall Street executives. Also, with the emergence of enterprise-wide risk management (ERM) as a significant trend, a flood of competitors are vying for, and winning, the chief risk officer (CRO) roles. In an SOA survey, actuaries indicate they are experiencing more competition now (see Chart 5). That same survey reveals that our top four competitors are MBAs, accountants, financial engineers and risk analysts (see Chart 6). Further, in the May 2004 issue of *The Actuary*, Narayan Shankar made an alarming observation about actuaries missing opportunities to become CROs:

“Actuaries have centuries of practice in risk management, and we describe ourselves as professionals who ‘model and manage risk.’ However, the new risk management professionals, with no affiliation whatsoever to the actuarial profession, are quickly establishing themselves as the risk management profession.”

As a result of this new environment, actuaries have lost industry dominance. There are fewer actuaries in C-level positions. Highly technical actuaries are no longer fast-tracked to the top; this is now reserved for those that demonstrate

an ability to communicate, e.g., in presentations to the CFO or CEO. Automatic promotions at ASA and FSA have become a thing of the past. Actuaries are also finding fewer and narrower opportunities.

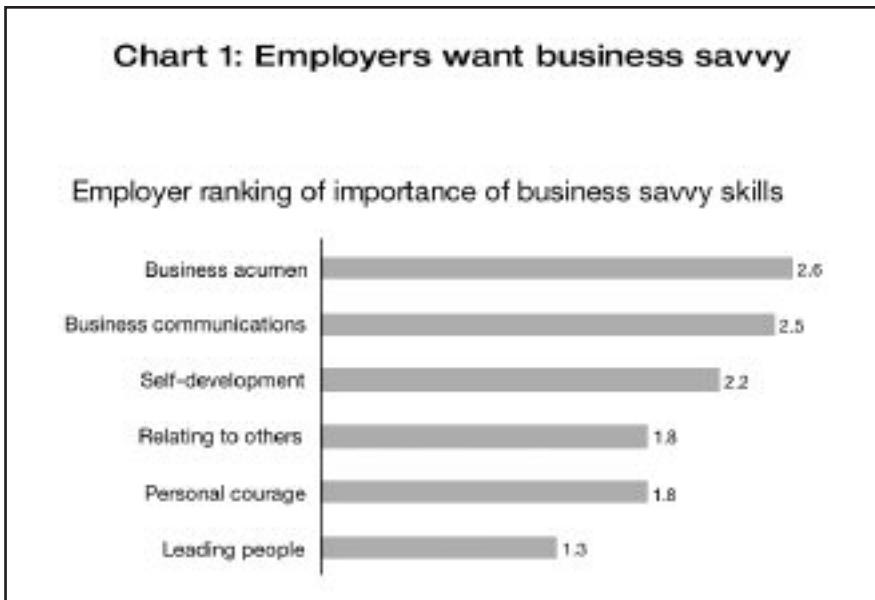
Keeping the Future Bright

So, how can we improve our image? How can we reverse the trend and re-insert ourselves into the C-level? How can we expand our opportunities?

SOA actions. These issues are among the SOA’s top priorities. There are three major efforts underway:

1. **Image-enhancing program:** The SOA is launching a complete re-branding of the actuarial image. The first step is a CRO publicity campaign.
2. **Skills development:** The SOA is taking action to improve our business savvy skills by making changes to the syllabus and examining other modes of education.
3. **Expanding opportunities:** The SOA is identifying opportunities for actuaries in “broader financial services”—asset management, energy, transportation, etc.—as well as identifying additional skills and/or credentials needed.

Highly technical actuaries are no longer fast-tracked to the top; this is now reserved for those that demonstrate an ability to communicate.



Source: 2002 SOA Survey

Actuarial foundation (AF) actions. The AF has conducted focus groups to identify how we can improve our communication skills. These focus groups revealed that our customers are saying that we should:

- Use face-to-face communications more frequently.
- Resist the temptation to send a spreadsheet in response to a question.
- Explain models simply, but capture their essence (our customers know that we're smart and appreciate that what we do is complex, and we do not need to constantly prove this by discussing all the details).
- Take formal communication courses (our customers have taken these courses; they can tell that we have not done so and this makes them uncomfortable).
- Learn nonverbal communication skills.


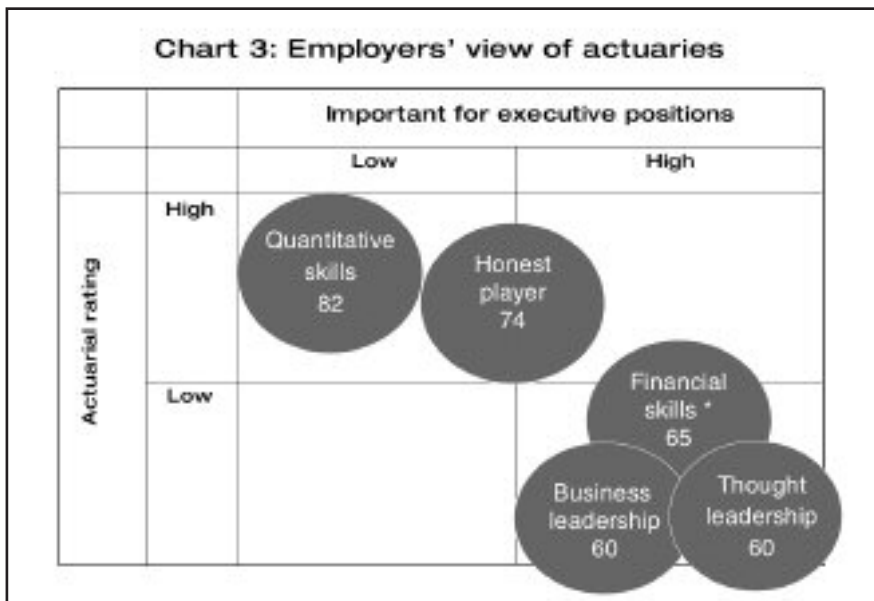
Resist the temptation to send a spreadsheet in response to a question.

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Chart 2: Leadership is not about technical skills

Selected topics:

- Leading by "feel"
- Emotional Quotient (EQ)
- Recruiting
- Listening skills
- Mentoring
- Psychological profile
- Handling setbacks
- Entrepreneurial culture
- "People are complex, people are different"

Source: 2002 SOA Survey

One of the more interesting observations from the AF's focus group was that clients view the actuaries that communicate best to be the best actuaries.

Your actions. You can do several things to help protect the future image of the actuary, as well as your own future opportunities:

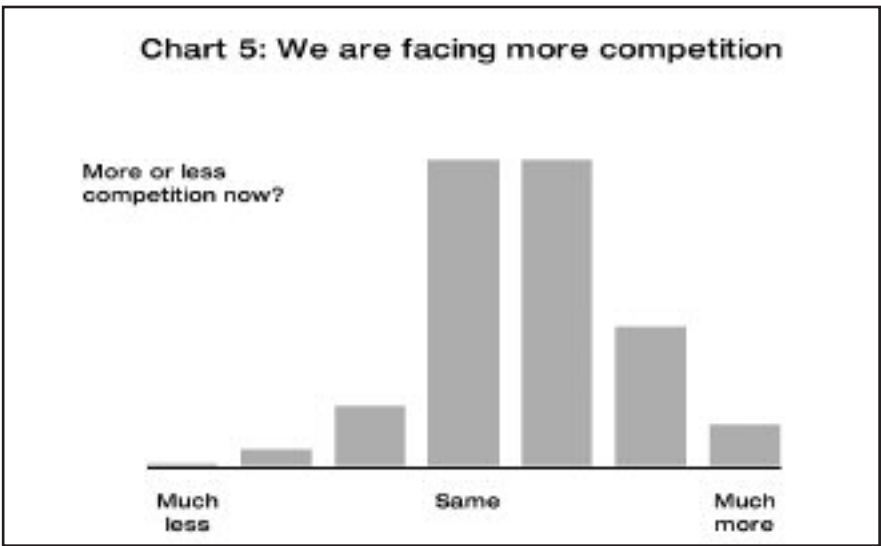
- Support the efforts of the SOA and AF to improve our business savvy skills.
- Attend SOA sessions on business savvy skills. The Management & Personal Development Section and the Actuary of the Future Section offer such topics at their sessions.
- Take courses on these "soft skills" that may be offered at your company or study on your own (contact me at sisegal@deloitte.com for references to books

Chart 4: Differing views on priority of actions

Actuarial Skills	Employer's view	Actuaries' view
Needing most improvement	<ul style="list-style-type: none"> • Communication Skills • Big picture focus • Business acumen • Leadership • Being proactive 	<ul style="list-style-type: none"> • Communication Skills • Big picture focus • Business acumen • Leadership • Being proactive
Needing least improvement	<ul style="list-style-type: none"> • Ethical • Quantitative • Financial reporting 	<ul style="list-style-type: none"> • Take risks • Industry knowledge • Team player

Source: 2002 SOA Survey

One of the more interesting observations from the AF's focus group was that clients view the actuaries that communicate best to be the best actuaries.



Source: 2002 SOA Survey

on business savvy skills, including: persuasive communication, writing skills, listening skills and negotiation).

- Join an industry committee. Serving on a committee is like getting free training in business savvy skills, including: leadership, management, presentation skills, marketing, negotiation, teamwork, networking and knowledge of industry activities.

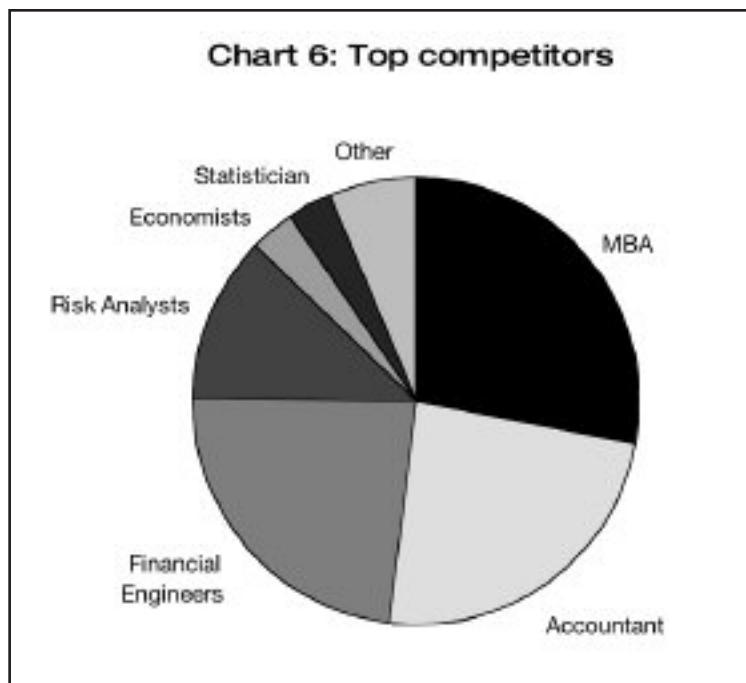
Our environment has changed, resulting in fewer opportunities than in the past. We must overcome our non-proactive nature, get out of our comfort zone and build our soft skills to reverse this trend.

My favorite quote has some relevance here:

“Insanity: Doing the same thing over and over again and each time expecting different results.”

— Albert Einstein

Not wanting to behave insanely, what will you do the next time you attend an industry conference? Will you attend a technical session on a topic in which you are already nearly an expert but for which you want to be aware of every footnote? Or will you attend a session that has much more marginal impact on your future—a session on business savvy skills? For the sake of protecting the future image of the actuary, I hope we all make the right choice. □



Source: 2002 SOA Survey

