THE STEPPING STONE
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Organizational Effectiveness Health Check

By Rahat Jain and Mark Spong

How fit is your actuarial organization? Actuarial functions are not designed in a vacuum to optimize efficiency or resilience. Instead, they grow organically, responding to the demands of the business, the need to grow talent and cost pressures of the economic environment. Most important, they are a function of connections, strengths and subject-matter expertise of individual people who show up (or log on remotely) every day to make the wheels turn.

As actuarial talent develops, roles and responsibilities shift and technology changes, what often evolves is a complex structure of interdependency, handoffs and mismatch of activities with skill sets. A periodic health check of an actuarial organization helps actuarial leaders make the most of limited resources.

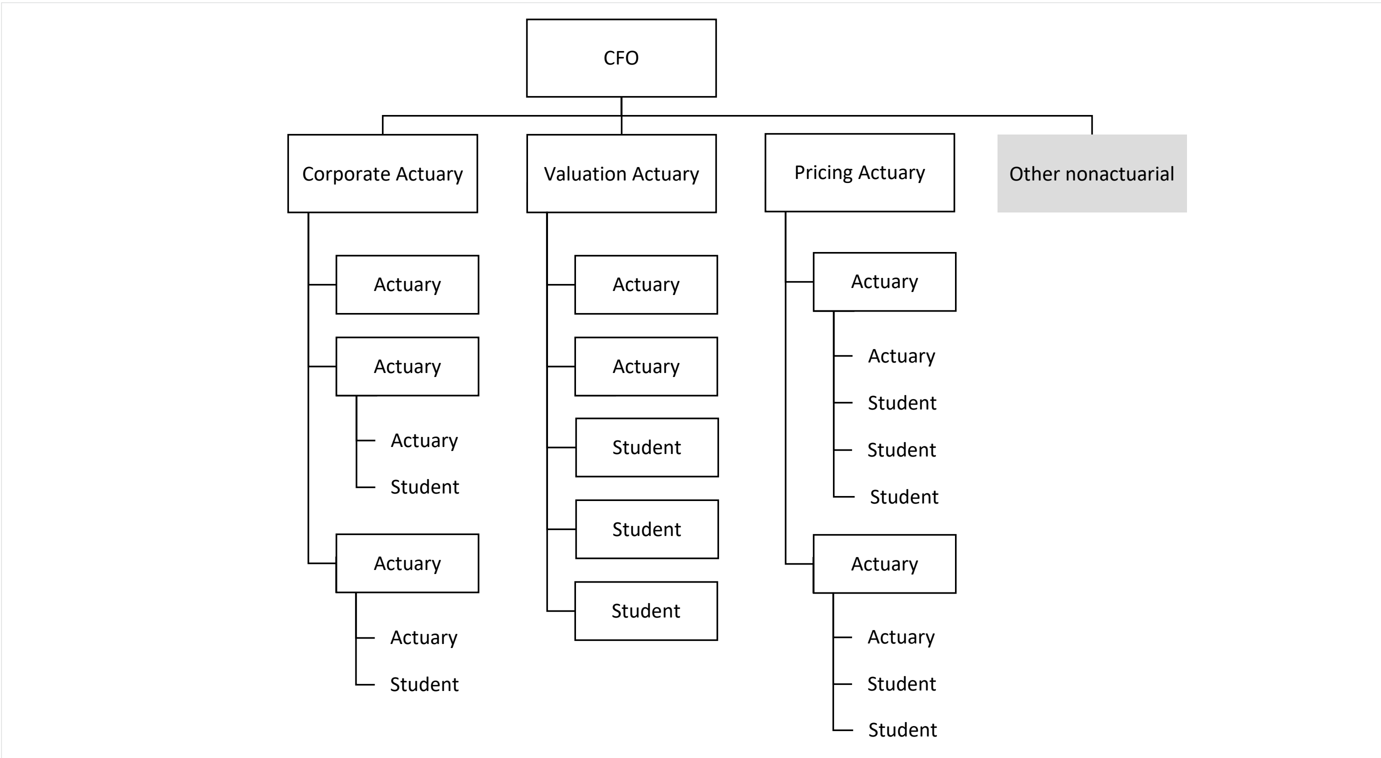
In this article we demonstrate three analytical tools, along with a sample case study showing how they might be applied to a fictional actuarial organization within ABC Life. The goal is to highlight how they might be applied to perform a health check of an actuarial function organizational design. This can measure effectiveness quantitatively via benchmarking how an actuarial function might stack up against the industry and management expectations.

The tools and techniques are critical for actuarial leaders and managers but are also relevant to all actuaries, since we can all benefit from understanding how our individual work efforts fit into the bigger picture of an organization.

HOW DO WE EVALUATE THE EFFECTIVENESS OF AN ACTUARIAL ORGANIZATION?

It can be difficult to identify universal metrics to compare one actuarial group to the next. Sometimes nonactuarial outsiders find it difficult to understand what an actuarial function does, let alone appropriately evaluate its effectiveness. Product mix, distribution channel and governance structures differ company to company, and as a result it can be tough for actuarial leaders to demonstrate the level of efficiency of their function.

Figure 1
ABC Life Actuarial Organization Chart



TOOL 1: SPANS AND LAYERS

Spans of control (SOC) refers to the number of direct reports a manager has. Across a function, it refers to the average number of direct reports across each layer. Organizational layers represent the number of levels that an entity has. Flat organizations have few formal layers. Figure 1 shows the organization chart for ABC Life.

SOC and layers are generally inversely related: More layers mean fewer direct reports for each manager. There may not be an optimal structure across all organizations, but management should understand the trade-offs between the two measures, making sure to strike the right balance. Too many direct reports per manager may manifest as complaints from individual contributors who feel their managers are too busy juggling the needs of a large team. Alternatively, too few direct reports per manager may result in bureaucratic waste (too many managers and not enough doers). In addition, few direct reports may trap capacity and prevent flexibility to respond to demands of peak workload periods. This in turn may result in key-person risk, minimal opportunities for cross-training and lack of holistic prioritization.

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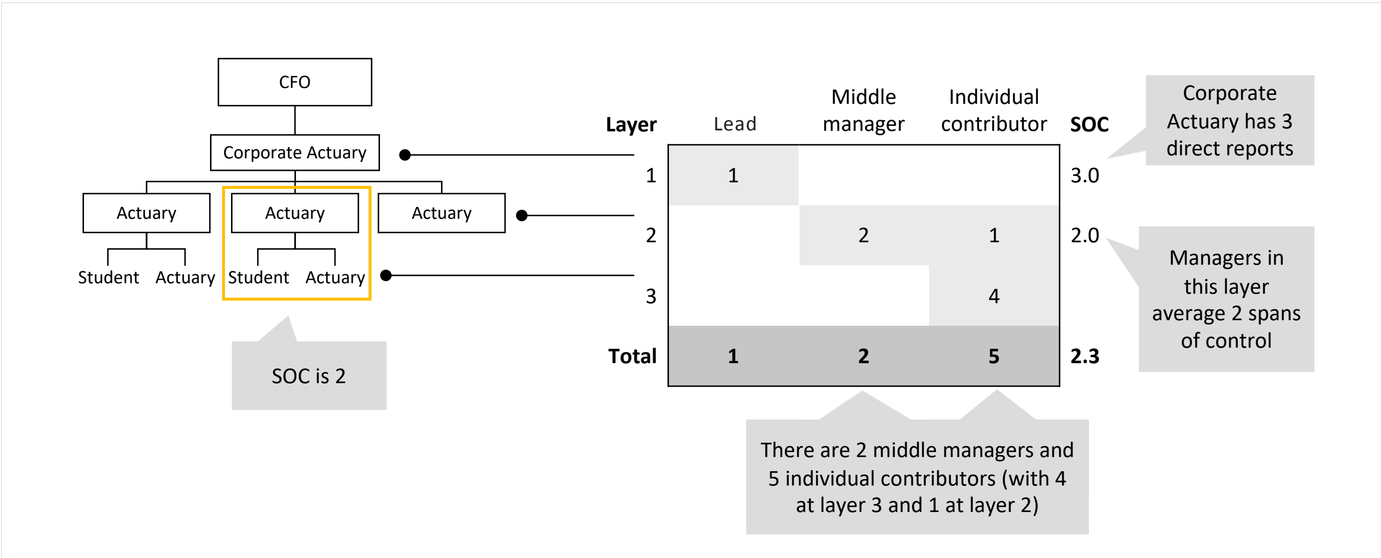
The optimal structure for the actuarial function tends to have fewer direct reports relative to other functions because of the technical nature of the work, exam-based career progression and a more centralized organizational structure. However, this can depend on organizational factors such as size and industry as well as the level of the manager within the organization. For example, a vice president may have more direct reports than a director given the difference in responsibility and type of delegation to be done.

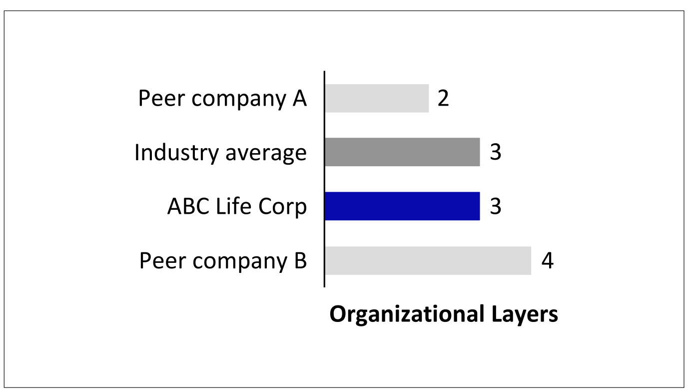
Figure 2 illustrates how one vertical department (Corporate Actuarial) can be deconstructed for spans and layers analysis.

Figure 2
Spans and Layers Analysis



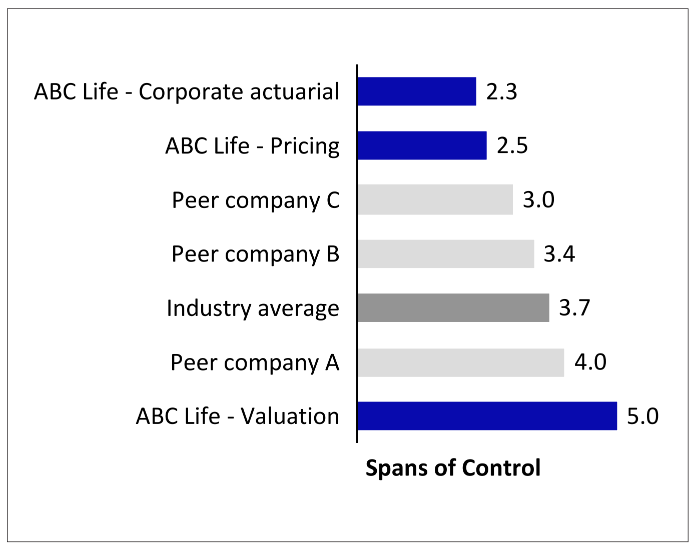
Counting layers and SOC in isolation does not give much insight. However, comparing these metrics to internally set goals, feedback from employees and managers, and appropriate industry benchmarking provides more value. Figure 3 shows that the number of layers in Corporate Actuarial for ABC Life is on par with industry average.

Figure 3
Corporate Actuarial Layers Benchmarking



Benchmarking layers is of limited value because it is discrete in nature and highly dependent on the size of company. Also, having the right number of layers is important, but it's key to balance that with the right number of spans of control within each of those layers. SOC is more agnostic on the size of the company, which makes comparing different companies more meaningful (see Figure 4).

Figure 4
Actuarial Spans of Control Benchmarking



ABC Life's Corporate Actuarial and Pricing teams have fewer direct reports for each manager, while their Valuation team has more for each manager compared to peer groups. Fewer direct reports generally means that managers are also responsible for being individual contributors in addition to their management responsibilities. While this may be true and desired in Corporate Actuarial, it may not be in Pricing. It is common for valuation managers to have a higher number of direct reports because of the higher volume of well-defined and recurring work.

TOOL 2: HISTORICAL ACTIVITY ANALYSIS

The phrase "What you measure is what you get" is a teacher's mantra that often refers to standardized testing, but it can also be applied to managing a team. A historical activity analysis is a means to track the amount and volatility of a department's projects. This helps determine if it has the right number of people or full-time equivalents (FTE) at any time.

A prerequisite is that teams somehow track their time. In reality this is not always the case. Some managers monitor their teams verbally or only have a feel for what people are working on and how long tasks are taking. Some teams use virtual scrum boards while others use some sort of time and task tool in a formal way that aids significantly in tracking. Even those who don't track time using these tools can get a lot of value by tracking informally first. People often think tracking is too difficult, hence use this as a reason to not track anything at all. However, even taking a couple of minutes at the end of each week to estimate the time dedicated to key activities provides some value.

Figure 5 depicts a sample historical analysis done for ABC Life showing peak busy times throughout the year.

Procedural production has heavy cyclical periods of January and July, which causes a strain on resources. There may be opportunities for automation or use of nonactuarial resources to perform some of the standardized tasks. Additionally, ABC Life could temporarily borrow resources for these key production activities from other departments, keeping their annual staff enough to support the average month, rather than peak months.

In addition, study time causes deficiencies in April and October. Any noncritical projects should be avoided during these months. Also, ABC Life can review the impact that folks taking time out to study has on their yearly calendar to evaluate whether a position should be a student or a nonstudent position.

TOOL 3: ACTIVITY ANALYSIS BASED ON FUTURE NEEDS

Starting with the number of available staff and trying to portion out work often leaves pockets of untapped allocation and no room for new initiatives that were nonexistent last year. This is because people often find work (and maybe not the most crucial tasks) to fill their time. If they were busy last year, using that as a benchmark would imply that they will be busy doing the same tasks this year.

A better route is to start with essential activities and work up to the number of employees required to meet that goal. This approach drives a distinction between required and merely nice-to-have as well as splitting out permanent versus temporary activities.

By starting with the key activities that need to get done, the mindset changes to using people's time as a limited resource and deploying it more intentionally. A common theme in the industry right now is to explore automation, offshoring, touchless processing and other techniques that enable more analysis. Figure 6 shows the comparison between a current breakdown of activities and what management may expect the future state to be for ABC Life.

Figure 5
ABC Life Valuation Monthly Historical Activity Analysis

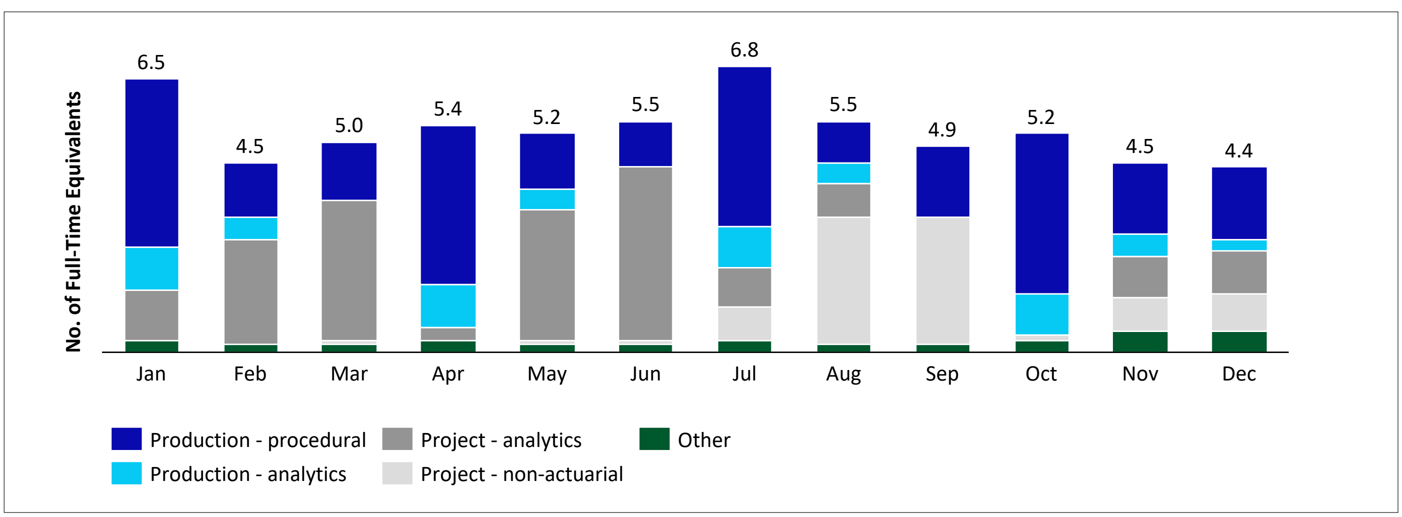
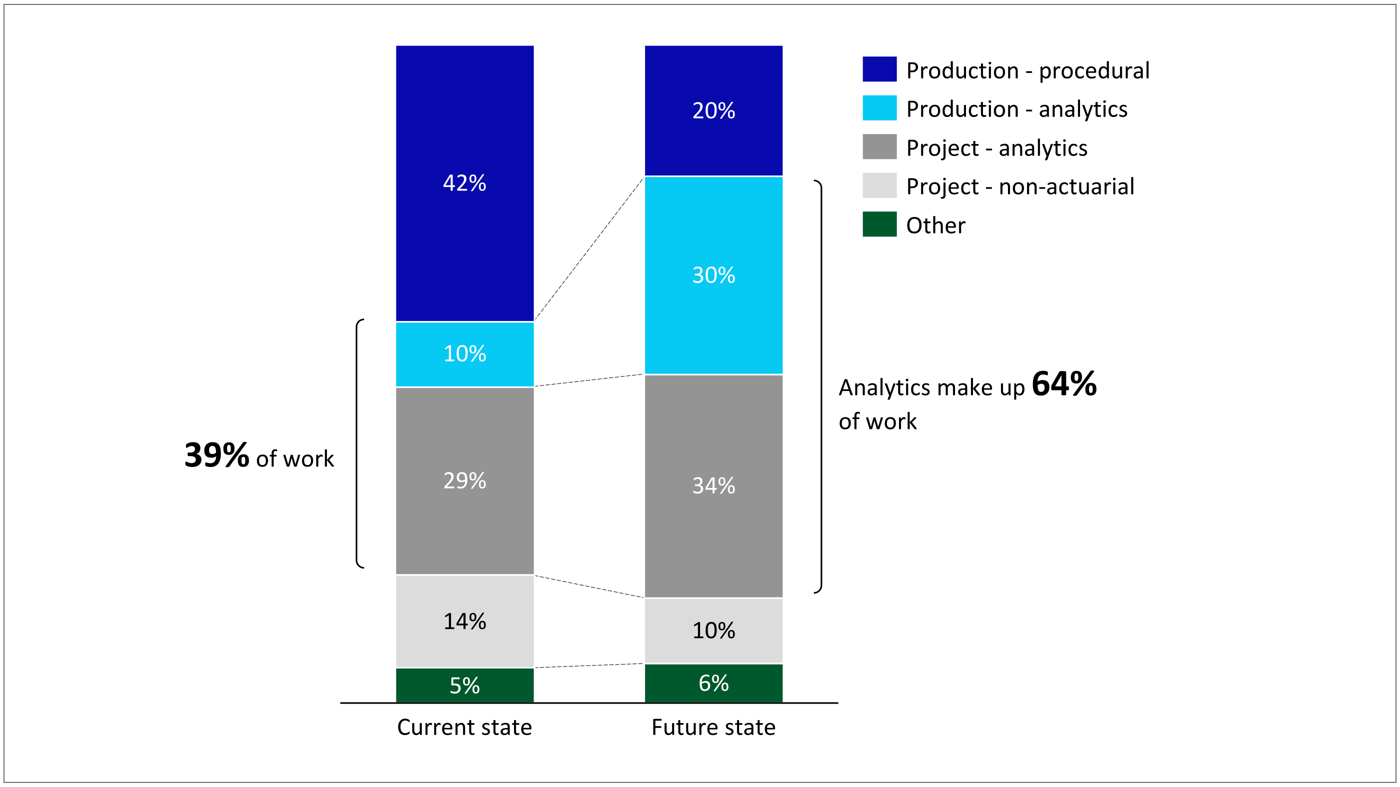


Figure 6
ABC Life Valuation Activity Analysis



This view gets down to how the limited resource of time gets deployed directly and, as a result, makes leaders investigate why certain activities are encroaching on priorities. For example, production may take nearly half of a department's time because administrative data is in such poor shape. Perhaps it is desirable to spend more time on analytics. In the past, leaders may not have been aware of how costly this was on a recurring basis and what implicit trade-offs were being made.

CONCLUSION

Efficiency is doing things right and effectiveness is doing the right things. The analytical tools presented in this article are important to those thinking about the design of their actuarial organizations because they help everyone focus on those two dimensions.

Two warnings on where one can go wrong with the evaluation of organization design:

- When conducting SOC or layers benchmarking, avoid comparing to a company of different size or industry focus (health, property and casualty, etc.). Similar companies and industries provide more meaningful insights.
- For activity analysis, the granularity of recording time can be too detailed, becoming a burden to conduct or too generic to provide insights. One way this can be addressed is through targeted and limited activity investigations. Management could take a sample of one production cycle, set expectations on allocation of work efforts and measure against the expectations for a couple of weeks.

These are just three tools that provide actuarial organization leaders an organizational health check. Given the importance of the linkage between resourcing and meeting company goals, these will serve as good building blocks to better optimize organization structure. ■

The views or opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of Oliver Wyman.

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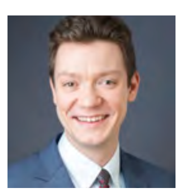

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How Did I Get Here?

An Interview with Margaret Meister, President and CEO of Symetra Financial Corporation

By Ying Zhao

Margaret Meister is president and chief executive officer of Symetra Financial Corporation and president of its insurance subsidiaries. She is also a member of the company's board of directors. Meister is a member of the board of directors of the American Council of Life Insurers (ACLI) and also serves on the boards of the United Way of King County and the Washington Roundtable. Meister is a fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Q: What was your first full-time job?

A: I joined Safeco's (Symetra's prior parent company) actuarial team after college. I had majored in math but was conflicted about what to do with the degree. I heard about actuarial jobs and began taking exams leading to graduation. But I did not know what actuaries do. Within a couple of months of starting my first job, I was extremely intrigued and loved the work I was doing.

Q: What occasions helped shape your career trajectory?

A: I've been an actuary for 30 years. When I look back over my career, I can see a series of steps that brought me to my current role. All were important, but a couple played bigger parts in shaping my career trajectory because they were so rich in learning.

I started as a division-level actuary with a focus on annuity products. When I moved into a finance actuarial role, I was exposed to a new set of activities at the corporate level. As the appointed actuary, I had a lot of interaction with the CFO [chief financial officer] and the CEO's office.

When Safeco decided to sell the life and investments unit that would become Symetra, I was involved throughout the process. This was a career-defining moment for me as I was at the table making tough decisions about the company. It also required building out this new stand-alone entity with multiple corporate departments, including legal and HR. It was a huge and invaluable learning experience to set up a new company and work with a demanding board.

Q: How did you prepare yourself for these career-defining moments?

A: My actuarial education steeped me in how the products and the financials of the industry worked, but that was not enough. I was always eager to learn more. I never let a job description box me in and stifle my curiosity or my questions. By the time the sale of the business division that would become Symetra was underway, I had been involved in product launches, system conversions, establishing new distribution relationships and more. When you push the boundaries of your defined role and go above and beyond, people will notice and give you more responsibilities.

As for leadership skills, I grew through practice. When you build your leadership skills by doing, you will make mistakes along the way and you need to deal with them. You must be open to input. I never had a formal mentor, but I did reach out to people I admired—those who were constantly evolving and investing in themselves. They were a sounding board for me or sometimes just provided a safe place to talk through second-guessing myself or a decision.

As I've progressed through my career, I've become more self-reliant. There must be a lot of internal fortitude, which sometimes may be taken as arrogance. But the more courage you show, the more courage you will see in the organization around you.

Q: What are your proudest career accomplishments?

A: Successfully navigating the sale of Safeco's life and investments business and transitioning it into what is now Symetra is a big one. There was a moment when the sale might not have gone through, and I was leading the effort to develop solutions. I was playing a role way above my pay grade to push the sale across the finish line. That was a real test of courage for me.

Another big test was the 2008 financial crisis. I was CFO, and it was game on all the time because we did not know what was going to happen next. I and others on the leadership team worked hard to guide our employees through tough times as people understandably worried about their jobs and financial well-being. I was very proud of the financial strength and discipline we had built, which served us well and got the company through the crisis.

More recently, we rolled out our Symetra Empowers strategic vision, which articulates what we're trying to do for our customers, distribution partners, employees and communities. This is the first strategic vision set for the company, and I am proud to be the CEO leading Symetra into an exciting new era.

Diversity, equity and inclusion (DE&I) is something we're really focused on as an organization and is woven through our strategic goals. The insurance industry has made progress on DE&I, but there is still a lot of work to do. Much more change is required within the ecosystem of our distribution partners and within the four walls of our company. I'm optimistic and committed.

We launched Symetra Empowers in September 2019, so we are still in the early days of a multiyear plan. Despite challenges like COVID-19, we decided to remain aggressive about moving it forward. I cannot allow us to be distracted from our strategic priorities, because all the changes our customers expect, and our industry needs, will be here whether the virus is around or not.

Q: What was one of your biggest challenges and how did you overcome it?

A: From a challenge perspective, I would say being heard, especially early on in my career. A large part of that challenge was clearly attributed to gender, but like many actuaries I was also a bit of an introverted person.

Obviously, I was heard or I would not be in my current role. But there were plenty of times it was taxing to make my voice heard. It could be as challenging as any mathematical or product problem and took me a long time to recognize. But we must call issues out when they happen because a critical part of the business is making sure people feel appropriately recognized for their contributions.

I've had a lot of success over my career and consider myself a blessed person, so you may wonder what I have to complain about. But this is the cement in my shoes that I've had to walk with. It is exhausting, and it takes away the energy I could spend on other issues.

What's the solution? Like solving any business problem, you must persist. It's happening to everyone, but not everyone will speak up. It is a personal choice to do something: Speak about it and hold yourself accountable for making a change where you can. You don't own that something happened to you, but you do own how you respond and what you do from there. As you do it, you feel better and the weight seems a little less heavy. You change and learn, and you see other people changing and learning. It's very rewarding to see the change around me. But I continue to ask myself: Am I doing enough to recognize and stand up against other biases?

Q: What career/life lessons can you share?

A: *Know your values and walk your values.* No matter what industry, what company or what career you have, you will have moments where your values are tested. If you compromise on things that matter, it will come back to haunt you.

Ambition is good, greed is not. If you have ambition, you need to tell people about it. When you speak about your career aspirations, people will understand and be able to help you.

Curiosity did not kill the cat.

Look in the mirror and see your weaknesses. What are you going to do, especially as a leader, to address those weaknesses? Who are you putting on your team? You need people in your organization with different strengths.

Q: What qualities do you look for when hiring a new team member?

A: At Symetra, we look for people who have diverse backgrounds and educations, not just technical backgrounds. We look for team-oriented, highly ethical individuals who are good communicators. We like diverse teams. You're going to have sports people, musical people, loud people, quiet people, big personalities, and smaller but powerful personalities. Lots of people with different experiences, characteristics and points of view; they're all fantastic.

Symetra's entry-level actuarial team currently has a mix of students right out of school and those who started elsewhere in the company and have moved into actuarial. The industry should be more open-minded about the skill sets required. You must be good at a lot of things, not just math. Technology skills, the ability to understand legal contracts or work in a team environment are all important. There really is a lot more to an actuarial career than just the ability to pass the exams.

Q: What advice would you give to people who are starting their actuarial careers?

A: *Meet non-actuaries* and talk to them about what they do.

Define yourself as a businessperson first and an actuary second. There will be times when you're told you're "just an actuary." Push back. Let them know you're a businessperson who gets the bigger picture beyond the actuarial assignment.

Q: How do you like to spend your leisure time?

A: I love spending time with my family. I love outdoorsy, physical activities. I am also an art collector, so I like to go look at art and visit museums.

Q: What recent or classic TV show/movie/book would you recommend?

A: Right now, I like PBS shows. I enjoy detective shows like "Vera" on PBS, which I would recommend.

The Stepping Stone is my favorite SOA section newsletter. There's always good content that everyone can relate to. I recommend it to all actuaries.

Q: What is a little-known fact about you?

A: When I turned 50, I tried 50 new things throughout the year instead of going on one huge trip or having a big party. I found a variety of new things to do—I ran my first marathon, I drove a racecar and I flew in a hot-air balloon. ■

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What Would You Do?

"Disappointing News"

By John West Hadley

Here is our next entry in the What Would You Do? series. Write to me at *SteppingStone@JHACareers.com* to tell me what you would do. In a future issue, I'll compile the responses received (preserving your anonymity, of course), along with what actually happened in the real-life situation.

Help me craft future case studies. Write to me about your own challenging, surprising or nightmarish situations involving business, leadership, management or any of the topic areas covered by *The Stepping Stone*, and what lessons you learned from them. I'll collaborate with you on turning your situation into a simple case study, being careful to ensure no one is identifiable. And share your own thoughts (pro and con) on the series as a whole at *SteppingStone@JHACareers.com*.

DISAPPOINTING NEWS

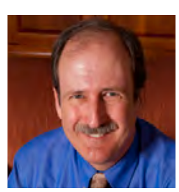
Greg has been assistant vice president for a number of years, and although his responsibilities have grown, his title has not. There is another FSA whom he originally hired who is now a vice president in another department, and there are few assistant vice presidents at the company. Although his compensation is good, his annual increases have been modest for a few years. In job discussions with Sal, his boss and a senior vice president, he is told that the only way for him to secure a larger increase is a promotion.

Greg works hard over the coming year to demonstrate his leadership skills, including chairing the company's Officer Advisory Group through a sensitive restructuring and downsizing analysis. In the fall, the secretary to the company's general counsel calls him to confirm the exact wording of his new vice president title that is to be announced at the upcoming board meeting. Greg tells her he didn't know the promotion was coming, and she apologizes and swears him to secrecy.

Greg is excited. After the meeting, Sal comes to give Greg the good news, telling him that he has been promoted to vice president, but that of course, there's no salary grade or compensation increase associated with it. Greg is floored. When he questions it, Sal acts surprised. He tells Greg that he's already well paid and should have realized there wouldn't be any increase, but that the title is worth a lot in prestige.

Greg goes home that night very upset. His knee-jerk reaction is that he should turn in his resignation.

If you were Greg, what would you do? ■



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