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Actuaries with an MBA—Is This the Path for You?

By Rachel Min

Due to the rigorous technical training that is required to become an actuary, actuaries are highly regarded for their logical and analytical abilities. However, while strong technical abilities are an essential quality of an actuary, there are other non-technical attributes such as communication and management skills that are also very important in the business environment. As actuaries fill executive roles at major insurance companies and become principals at international consulting firms, it is important to recognize that expanding the skill sets beyond the traditional technical abilities can create new opportunities for future actuaries. So what can young actuaries do to improve their non-technical skill sets? One possible option for aspiring actuaries to consider is to pursue a Master of Business Administration (MBA). However, before one blindly commits to another two to four years of education, one should realize that obtaining a MBA may not necessarily be the right career choice for everyone. This article attempts to provide some guidance to those who are considering the MBA option by interviewing actuaries in the working world who have obtained both an MBA degree and FSA designation.

Selina McDonald FSA, FCIA, is Manager of the Corporate Actuarial department at Munich Reinsurance Co., and Marilyn Dunnill, FSA, FCIA, is Director of the Actuarial Consulting Group at Sun Life Assurance of Canada.

Q: How did you happen to obtain both your MBA degree and FSA designation?

Selina: For me, I stumbled upon the actuarial profession quite by chance sometime after I had obtained my MBA. I got my Bachelor of Commerce and my MBA degree from St. Mary's University in Halifax, and then I taught for several years at various universities. After several years as a lecturer, I started considering my options in going back to school for a PhD or a Masters degree in another field that would be related to my MBA background. Then, it so happened that the Actuarial Science Master program at University of Western Ontario (UWO) was able to take me in and that's how I got into the actuarial profession.

Marilyn: I obtained my Bachelor of Commerce from University of Toronto, where I was introduced to the field of actuarial science through some of the courses I had taken. I knew I was going to pursue an actuarial career then but decided to stay in

school to do a MBA. Deciding to pursue the MBA was an easy choice for me because it was just continuation of school for a little over a year and I felt that the MBA training would be very helpful in learning more about some basic business background and preparing me for the working environment.

Q: How is training for MBA different than the actuarial training?

Selina: First of all, I think that actuarial training is largely done on your own, while much of MBA program involves working in a group and learning how to cooperate with other people. Communication is a very important component of the MBA training. You have to make presentations about your projects all the time and you have to be coherent and convincing in your delivery. I feel that actuarial studies involve just studying for your exams most of the time and you do not really learn how to analyze and communicate your results to others. I think that MBA training can really help actuarial science students with communicating, sharing and explaining technical ideas to other people who may not have the same technical background.

Marilyn: There have been some changes to the actuarial training recently such as the introduction of FAP modules, where students are now exposed to case studies and business issues. However, when I went through the actuarial training it was a strictly very technical training. I think that the MBA training really complemented my technical skill sets by providing me with tools to be able to tackle real life business problems.

The MBA training requires one to spend a lot of time working on group projects and researching various corporations. About 40 percent of the projects I worked on required fieldwork where I would go onsite to corporations and get involved in the actual business process. These projects were very interesting and I learned a great deal that you would never be able to learn from a textbook.

Doing case studies was a huge component of the MBA training. We had case studies where you would be given a lot of information, some with no relevance at all to the problem at hand. Other times, we would be given very limited information to solve a problem. These case studies were practice for the real life business cases when you would need to be able to pick out the key information or have to work with limited information to solve the problem. Also, most of the projects involved a lot of teamwork. By working through these projects, you learn how to manage teams; how to motivate people, how to layout plans and deadlines, how to tell which roles would fit who.

Another key element of MBA training that became very useful for me is the knowledge of the accounting and of the asset side. Nowadays, actuaries are becoming more and more exposed to the asset side of an insurance company through projects like implementing International Financial Reporting Standards (IFRS) or working on economic capital. MBA training gives you a great understanding of the whole balance sheet and how different items on the balance sheet interact with each other. Other interesting and useful component of MBA training was taking courses such as Marketing and Business Law that gives you broader perspectives on

business operations.

Q: What roles have you worked in and how has getting your MBA degree helped you in those roles?

Selina: While I was completing my actuarial science studies at UWO, I was able to work as an intern in London Life's Asset Liability Management (ALM) area. It was a very new and interesting area with many talented people. The MBA background is especially helpful in the ALM area because the finance courses you take in a MBA program helps you to understand the different types of assets that you are dealing with and teaches you how to manage them.

Right now, in my role as a manager of the Corporate Actuarial department, my MBA knowledge is useful when performing financial analysis of how a certain action from the senior management will impact the bottom line. When management changes their strategic direction, it will have an impact on the business. The MBA background can teach you to develop different and broader perspective of the business, which may allow you to better understand and analyze different business situations. For instance, when trying to make a decision about whether or not to take on a certain block of business, one might only look at the numbers; how much embedded value and how much profit the business will generate. However, there are other aspects that you need to take into consideration, such as how will taking on the business impact the relationship with the client and change the market positioning of your company.

Marilyn: I work in the Actuarial Consulting Group at Sun Life, where I work as an internal consultant to different departments in the company. So, just like any other consultants, all the work I do is project based. The project management and report writing training I received through my MBA is definitely very helpful in this role. I am currently working on a project related to capital management with the Treasury department, and for this project my supervisor and co-workers are mostly accountants. I want to point this out because the perspectives of accountants may greatly differ from those of actuaries. Without my MBA background, I feel that I may have had some trouble understanding some of the accounting jargons and communicating with my co-workers. I also find that my MBA training really helps me identify and understand what the important issues are for the company. The reports that get generated from the Treasury department are read by the most senior executives of the company and sometimes even external audiences such as shareholders or stock analysts. These reports are important as they include all the different business groups and they contain issues about capital management, which directly affects the company's profits. Since the audiences are non-actuaries, the reports cannot just be based on actuarial analysis and they need to offer different business perspectives. As an actuary, being able to form a perspective of someone who is not an actuary is a hugely beneficial asset as you get to understand the insurance business from the inside out. Having the actuarial background lets you understand all the specific actuarial issues related to different business groups, and the MBA background can enable you to put all the information together and see the big picture of the whole business operation. This combination will enable you to make

better business decisions.

Q: Given the intensive commitment involved, would you recommend that actuarial students consider pursuing a MBA degree? If so, what type of students do you think would benefit the most from obtaining a MBA?

Selina: The problem with recommending the MBA path to students who are looking to improve their communication skills is that sometimes mastering a skill cannot be easily achieved by taking a course. The MBA training will certainly make you practice and will force you to learn those skills but some may find that public speaking is really not for them.

However, MBA training will certainly provide you with different and broader perspectives than the ones you may acquire from actuarial training. Especially if you want to move into a managerial role, the MBA training will help you understand what is expected and required of a manager. It will teach you how to manage people, look at business differently, and develop strategic goals for the company.

It is important to realize that having a MBA degree doesn't really prove that you have expertise in business. It shows people that you have the necessary skill sets and are able to learn, but having valid work experience is probably more important than having a MBA degree. So, it may be beneficial to work for a while and then go back to school to do your MBA.

My final advice for the actuarial students would be to ask yourself what your career goal is. Can you see yourself as a manager, VP or CEO? If the business side does not interest you, then a MBA is probably not for you because the business side does require a certain type of personality. If you are more interested in the financial and investment side, then you might consider pursuing a CFA designation. If you are not sure, then I recommend that you work for a while and see how people progress in their careers in your company. If you think that a MBA can help you acquire the skills needed to advance into the career paths that you want, then pursue it.

Marilyn: Like all knowledge, you could probably gain some of the skills that you learn from a MBA degree through work experience or sometimes through the readings you have to do for SOA exams. However, I still think that MBA training is a very valuable tool to have, especially as you get into higher managerial positions that require broader business perspectives. MBA training will teach you to be able to develop perspectives beyond actuarial issues and it will also help you when dealing with non-actuaries such as company executives or accountants. One piece of advice for the aspiring actuaries is that you probably won't want to do MBA at the same time as your actuarial exams. A good time to do your MBA would probably be after finishing your SOA exams and having worked for a few years. I think at that point you will know what skill sets you need to develop and you will be able to derive more out of the MBA training experience.

