

# SUCCESSFUL ACTUARIAL PRACTICE IN A CONSULTING ORGANIZATION



10 guidelines to building a successful  
actuarial practice in a consulting firm

# successful actuarial practice in a consulting organization (10 guidelines)

First of all, many of us intuitively understand why actuaries generally like to work with other actuaries. Our family and friends often don't grasp what it is we do, and the attempts to describe the job usually fall in some professional wasteland between "so nerdy as to be boring" and "way too complicated". There isn't much good in between there, yet it is always a top-rated job. I had a mentor who once said he got paid to solve puzzles all day. And while that's more convincing as to why this is a good job, it's still only convincing to people who think solving puzzles is cool. Hence the conclusion: actuaries like to work with other actuaries.

In my own case, I value working with people who think like I do. When I can describe to a colleague in abstract where to find a factor in a worksheet that needs changing and together we envision the downstream effects of the change and share an instant meeting of the minds, it creates an efficiency in the work, a reliability in the process, and an intimacy of thought based on a common understanding.

I've been with my current firm for 21 years. My first five years in actuarial work were in one of the big insurance programs in Hartford, CT. As students there my colleagues and I had ample access to study time, and plenty of peer pressure and camaraderie to encourage us to pass exams. But when it came to career development and training, I would argue that in four rotations in that environment I learned a grand total of four things. (By comparison, I learned far more in my first year in consulting than I did in five years in insurance.) Based on my experience, the focus in insurance seemed to be to produce FSAs, and career development and subject matter expertise began anew after achievement of the designation. In consulting,

**Even a group of actuaries needs a brand.**

there is broad simultaneous emphasis on balancing credentials, topic/skill sets, project management, communication skills, and practical experience right from the outset of one's career.

So what does it take? There are probably many good ways to structure your organization. This article describes one way that has been proven to work within the actuarial practice at my current employer. (Note also that student programs and exam progress are a piece of this discussion but are not at all the sole focus. Rather, think about the entire local enterprise that needs to deliver actuarial work.)

The overarching requirement to make this model work is one of critical mass. Many of the ideas put forth later in this article rely on having “enough” actuaries and students to be able to call it a department or a practice and to have some level of brand identity. If the group isn't (as the kids say today) “a thing”, then you may not have enough bodies to work with and many of these ideas won't apply. One actuary in a consulting office can become under-trained, misused and overwhelmed. Two to four will likely all operate independently as financial consultants, without much inter-dependency between them beyond the occasional “hey, can I ask you a question?” exchange. By the time you have eight or so people you start to have a shop. You can think beyond pure client work and begin to think about creating solutions differently, including creation of intellectual capital and developing expertise along functional lines (such as benefit calculations, ASC 715 valuations, or medical network evaluation) rather than thinking solely about what each specific client needs. While you aren't trying to take over work from your entire firm, think of it as mini “centers of excellence” within your walls that at least have the *ability* to handle such work for outside offices.

So if you build or already have this critical mass, what's next? Here are 10 elements we have found useful in creating a process and a culture for actuaries that enable efficient delivery of financial work.

### **THINK LIKE A HUB**

In a “hub and spoke” model, the hub services the spokes and functions like a center of excellence for a finite set of functions. While it's difficult to produce client-specific knowledge from a geographical distance (although the idea of industry Verticals — specialization in particular industries like manufacturing or financial institutions — works in that direction), it's far easier to build functional expertise in the hub that can be applied to client situations outside the hub. It keeps a high level of current expertise and relieves the spokes (satellite offices or, in single-office firms, other consultants and client managers) from having to recreate process, training and knowledge each time the function is needed. This is

nothing more than an efficiency play that can't be accomplished if each office is a franchise, but can be possible if there is a mantra of "one firm" across the country.

## DEVELOP A ROBUST WORKFLOW PROCESS

The most critical element of success may be workflow management. A few key people, generally supervisors who are in touch with the day-to-day capacity of their supervisees, constitute a good group to start with as it provides an efficient way to have a constant, real-time pipeline of information regarding capacity issues and new requests.

The group should meet monthly, but more frequently as needs arise, and be charged with addressing the following when assigning project work:

- Which employees will be assigned?
- Is this the best possible approach/solution for everyone involved?
  - Consider future growth potential for employee on the project
  - Consider skill level and workstyle fit with the requesting consultant
- What communications (both internally to the team, and externally to the client) are needed and when?
- How does this play into the larger staffing concerns of the office?

Once a consensus is reached on a new piece of business, the group can summarize and clarify follow-ups to make it all happen effectively.

Besides the thoughtful "levelizing" of workflow across staff through this process, a workflow team's commitment to "spoke" offices is to do a daily intake of smaller requests and triage them quickly to get an assignment made. Sometimes this can be done through quick e-mail exchanges or face to face hallway meetings, and other times through quick surveys of your analyst corps. Creating an e-mail distribution list where requestors can send their requests directly to the entire workflow team is an efficient way to get all members thinking about solutions as quickly as possible, and all at the same time.

Two final points in establishing a workflow process: first, the workflow team needs to be trusted and perceived to be allocating work in a fair and logical manner, even if the assignments are ultimately "decreed" rather than just "suggested". As long there is a balanced approach with the good of the practice and the good of the employee considered along the way, those receiving new assignments will not feel they are being treated unfairly. Second, when members of the workflow team are also responsible for self-assigning new work that is appropriate for their own level, this enhances the credibility of the process. (The workflow team exists to find solutions at all levels of seniority, not just to dole out work to junior employees.)

## **WORKFLOW PROCESSES SHOULD SUPPORT HIRING, NOT THE OTHER WAY AROUND**

Successful hiring and recruiting begins with the workflow management team appropriately identifying the staffing need. This team maintains a thorough understanding of current staff's workload, capacity, ability and appetite to advance to higher or different opportunities. With this understanding, they are able to confidently make a hiring decision. Before beginning a search, have a concrete idea of what the next employee will do and the experience and skillset they will need. This facilitates building the business case required to obtain approvals from leadership.

With the "authorization to recruit" in hand, communicate to current staff that a search is underway for a new employee fitting the defined criteria. The group often welcomes this news as they typically already perceive the need.

Depending on the level needed, you may also engage internal and external recruiters to help in the search. As the search begins, define an interview process and team. An interview team should include staff at all levels who have the time and interest to help in the candidate review process. To obtain consistent review of all candidates, select a team that can commit to meeting all candidates, and decide in advance the general areas that will be covered in the interviews (for example, communication skills, technical skills, general enthusiasm for the role, living locally which reduces relocation and transition stress, etc.).

After interviews have concluded, the interview team should meet to debrief. Rank the candidates and discuss the choices. Sometimes, there is a quick consensus, but there may be a tough choice among a handful of excellent candidates. As a rule, if you consider 3–5 strong candidates initially, everyone — including staff not involved in the interview process — can be confident in the ultimate choice.

## **RECOGNIZE THAT THROUGH TRAINING YOU ARE BUILDING YOUR FUTURE, NOT JUST HANDLING THE PRESENT**

Inevitably, workflow becomes not just about solving problems next week or next month; it can be the framework for how the practice operates within the next two to five years. New actuarial hires need in-depth technical training, and depending on their background, they will be asked to learn about practice-area basics, develop a study plan for their next exam, and learn the corporate culture — all this on top of being provided a work station and e-mail address which often began accumulating messages and meeting requests before their first day of work.

To avoid these demands squeezing out the critical technical knowledge, a staggered approach to technical training can be very effective. Provide one or two sessions a day, every other day as time permits, for no more than two hours at a time. Each topic is covered as two components: conceptual (what is this, why do we care about it and how does it show up in our client work?) and technical (how do I accomplish this task, and are there standard tools I need to familiarize myself with in order to do so?)

Three key features of this training approach are:

- Where possible, provide that the training itself be given by the last cohort of new hires who have the most recent hands-on experience with the subject/tool and who can also be sure to emphasize points they feel were under-represented when they received the same training.
- As new hires complete training on a topic, ensure the work assignments follow up on the training to solidify the knowledge (i.e., promptly assign work that uses the training).
- Encourage new hires at the outset of the training sessions to ask “why”, not just “what do I do”, as this is an important step in developing a group of thinkers, not just a group of “doers”.

An additional valuable by-product is that uniform, group-based training allows managers much better insight into the comparative progress of new hires within each cohort.

### **UNDERSTAND WHAT CONSTITUTES “VERTICAL WORK”**

Training on the basics has been accomplished, but how does a practice devote the resources to manage “spoke” work that arises outside of local relationships? Often such work comes in haphazardly and tends to be relegated to the bottom of the priority list, which can lead to missed deadlines, miscommunication, rushed analysis and the occasional, if not eventual, incorrect analysis. Taking an inventory of these projects, grouping like projects together and assigning staff to these projects in advance enables the practice to manage the projects, rather than vice versa. Since these projects tend to require relatively narrow breadth of knowledge, but frequently greater depth of knowledge, we have applied the term “Vertical” to these projects under the following example construct:

	V1 IBNR	V2 ASC 712	V3 ASC 715	V4 RDS	Client-Facing Financial and Strategy
Large Local Client	✓		✓		Yes
Jumbo National Client	✓	✓		✓	Yes
Small Non-Local Client	✓			✓	No
Medium Local Client	✓	✓	✓	✓	No
Large Non-Local Client	✓	✓	✓	✓	No
Small Non-Local Client	✓		✓		No

Post-retirement medical valuation claim cost setting and accounting review (ASC 715), retiree drug subsidy (RDS) attestation, incurred but not paid (IBNR) reporting, and disability valuations (ASC 712) are a few examples of potential Vertical categories applicable in a health and welfare actuarial practice. Similar Verticals in pension work might be benefit calculations, experience studies, non-discrimination testing and funding valuations.

In my experience, client-specific knowledge is the most important element to successfully serving the top two clients on this sample list. But skill-set specific knowledge in the Vertical columns shown is more critical to serving clients like the last four on the list.

In addition to assigning staff, appointing a lead or chair of each Vertical establishes accountability. The lead maintains the lists that track volumes and manage assignments. The lead also organizes training to begin the development of additional employees to have the requisite depth of knowledge in the particular area. A well-managed Vertical can account for 10% of an individual’s time to either manage it or participate in the work itself. By limiting and spreading the work, no one individual gets labeled or pigeon-holed in the particular Vertical to the exclusion of other opportunities.

A nice by-product of grouping similar projects into Verticals is the ability to quantify the volume of work being completed. Time spent completing one such task might seem insignificant, but completing a similar task twenty times for twenty clients becomes worthy of recognition both in terms of time spent and in terms of revenue.

### TREAT YOUR STUDY PROGRAM WITH RESPECT

Another important hallmark of a successful actuarial practice is the study group culture. With critical mass, there may often be multiple students at a similar point on the exam track. These students will be able to study together and offer advice to each other. But the actual *culture* is an aspect that will take effort to create and maintain. It needs to include appropriate support and cooperation between junior level employees and senior leadership.

Treating study time as a necessity rather than a privilege is the first step in cultivating a positive exam-taking environment. This is not to place study time in front of client needs — without clients we have no business — but thoughtful planning can truly mitigate the conflicts and drastically reduce the unplanned forfeiture of study time that students can experience when client demands come in unchecked and without management. Senior management needs to recognize that study time is a priority that may involve balancing work among the analyst pool. This is particularly important to communicate outwardly to non-actuarial colleagues who may not appreciate the rigor of the process.

But there's no free ride. In the spirit of protecting their study time, students taking exams should operate in a team framework. This benefits students through both ensuring appropriate coverage during study absences and through exposing them to potentially different study methods for the exams themselves. When analysts feel united in the exam progress and fulfill client needs as a team, it helps avoid the individual stress of going it alone.

Celebrating success and recognizing the accomplishment of passing an exam has also proven to help students feel valued and important to their peers and to the whole actuarial practice. One another's success also provides motivation and positive peer pressure to keep going in the process.

Culture can often be an elusive aspect of a practice to develop, and doing so can backfire if students are viewed as separate or privileged by non-actuarial colleagues. Rather than an “us against them” mentality, strive to achieve an “us for each other, to better serve all those around us” frame of mind.

### **DON'T WASTE YOUR INTERNSHIPS**

Getting the right people to hire, train and put into the workflow process can actually start with a successful summer internship program for college actuarial students. Many students who are pursuing actuarial science are already committed to this career path and may have sat for and passed multiple exams prior to their senior year. These make better candidates than those who are just exploring, looking for a nicer paycheck than lifeguarding, or essentially interviewing the firm for 3 months. If you start with candidates who have shown this level of commitment to the profession, the question becomes whether they can do the job. So investing in your summer interns *the same way you invest in full-time hires* provides the true test of their capabilities and gives everyone a head start should they become full time employees later on. Our interns receive formal training in both the conceptual and technical aspects of the work within the first two weeks of the internship. They are quickly assigned to actual client projects and given the opportunity to perform the same type of work as full-time analysts. This allows our interns to interact with as many of their peers as possible and



develop skills from multiple senior colleagues. Building inter-office relationships with peers is important; it allows our interns to feel connected to the company and invested in the work they are doing.

From recruitment and training to work assignments and office engagement, viewing and treating interns like full-time hires can pay enormous dividends. When we invest in our interns, we are often rewarded with an experienced, committed, and extremely well-vetted full-time employee the following year. Contrast this with interns performing stand-alone, tedious, un-integrated project work that regulars in the office don't want to do. "Grunt" work turns everyone off, including your best and brightest interns.

### **ENHANCE ENGAGEMENT BY HAVING A BRAND**

Merriam-Webster defines engagement as "emotional involvement or commitment." An office environment that creates a sense of personal connection fosters an engaging atmosphere. When the "brand" of the practice is valuable and positive, there's a desire to be part of the group, and personal welfare is indirectly derived from the welfare of those around us.

Engagement is driven by this sense of team unity. Each colleague can possess a unique client list, yet all function as a team. No colleague bears the burden of too large a workload because we allow for work to flow easily among individuals based on capacity. In other words, while workflow (described earlier) is managed at the macro level to make assignments and provide accountability to tasks, a group of analysts who are empowered to handle day-to-day work fluctuations on their own at the micro level truly must operate as a team. Through this process of triaging, the need for management decreases, as does the reliance on any one employee. A highly engaged and connected workforce easily handles the ebbs and flows of work that are typical of the consulting world.

But developing a deeper level of engagement relies on strong socialization. Taking time to socialize with colleagues produces valuable, albeit often intangible, results. We recognize this comes in two forms: 1) Conversations and collaboration about work projects (for example, white-board discussions that attempt to teach everyone what one colleague just learned on a project) can be extremely valuable in fostering enthusiasm for good ideas and good thinking and 2) Discussions focusing on non-work topics, or in fact socializing fully outside of work, for more personal connections. Encouraging both types of socialization can pay big dividends among junior staff.

### **IF YOU BUILD THEM, IT'S OK TO SELL THEM**

Emerging actuaries, typically ASAs or new FSAs, who have been developed through the processes described above can successfully transfer to other offices within the firm as their

life circumstances change. Having trained under a guided structure, understanding peer review resources and processes, and feeling the brand identity that follows from the hub heritage, all appear to be transferrable traits. We contrast this with the “lone wolf” experience of putting a new actuary to the firm in a spoke or outpost office as the *only* actuary. That actuary comes into his or her role with none of the infrastructure or support that hub transfers will have. The following testimonial was provided by one of our recent FSAs who has, in fact, transferred to another office and is successfully navigating his client and time demands:

“I was fortunate to have the opportunity to grow up as an analyst in Mercer’s actuarial health & benefits practice in Richmond, VA. Quite frankly, expectations were high. Not only was I expected to demonstrate *actuarial exam progress*, but I also was expected to develop the *working competencies* required for survival in a fast-paced industry. In order to do both effectively, I needed a strong support system, a rigid schedule, and a lot of self-motivation. The group in Richmond offered all of the above, and ultimately gave me the opportunity to leverage my skills and experience through the transfer to another Mercer office.”

#### *Actuarial Exam Progress*

My project managers and fellow colleagues understood the importance of exam progress, either having completed or being currently involved in the process themselves.

#### *Working Competencies*

The structure of a ‘hub’ atmosphere furthered my development by encouraging frequent interactions among senior actuaries, fellow actuarial students, and clients. These all served as catalysts for growth that ultimately opened up new doors for me.

#### *Transferability*

Even though no longer physically located in the Richmond office, I am still able to virtually leverage all the same resources and maintain the same work efficiencies and effectiveness for my colleagues and clients. Working within the framework of a ‘hub’ ultimately created trust, flexibility, and independence within my professional career at Mercer. I am independent, but not alone.”

## MARKET (DON'T JUST SELL)

With a workflow process that funnels work in and out effectively, key mid-manager teams ensuring smooth communication and peer review, and the entire staff busy delivering to the spokes (and the local office itself), it's easy to forget that nothing happens if there isn't new work being sold for the actuarial staff to work on. Actuaries may be invited to participate in pursuit teams, and attend finalist meetings, and will often add value in those situations when compared to firms or teams that don't deploy actuaries routinely.

But if the work product is good, and the expertise has already been built, why wait to be invited into a "sales" situation? Put some focus on development of marketing collateral, which can be shared with internal consultants and sales people. With these actuarial skills, tools, and solutions top-of-mind, each prospecting situation for a client manager, sales person or consultant becomes a marketing opportunity for actuarial work. They will be more willing to put one of your actuaries in front of the prospect as a door opener well before getting around to RFP time where the actuary is simply part of the delivery model for services. If your firm is asking you and your actuarial team to sell, make this part of your brand identity and take control of the process.

## MEASURING SUCCESS

So how do we know these ten guidelines work? Measure the following metrics as available:

1. (Low) turnover rates — try to separate underlying job satisfaction issues from life circumstances issues.
2. (High) engagement scores — if employee surveys can be parsed to the local practice level
3. (High) client satisfaction and retention
4. (High) intern conversion rate to new hire
5. (Fast) exam progress/travel time to credentials

Here are a final few thoughts about this process. If you are fortunate enough to already have a practice where the size and scale permit you to pursue some of these ideas, get the workflow process going first, and if effective, think about spending your own time leading, and not managing. Workflow largely *is* management, so with the right people installed there, you can work on fostering the brand identity for your group. Creating marketing collateral, establishing a relationship with a local university actuarial program, helping your team take the lead in intellectual capital development or experience studies, or publishing an article are just some of the ways to help establish your group's brand.



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