

Over the course of my nearly 30-year insurance industry career, I have had the pleasure of working with actuaries in company and consulting environments. I have managed actuarial functions, worked in areas that relied on input from actuaries, led a large consulting practice made up predominately of actuaries, consulted to actuaries, and consulted to executives and Boards of Directors who relied on actuarial analyses.

From these various vantage points, I can say that actuaries are among the most intelligent, talented, earnest, hard-working people I have encountered in business. Why is it, then, that after a rapid ascension to middle management level positions early in their careers, so few actuaries break through the “math ceiling” and emerge as true business leaders? And for those relatively few who do assume leadership roles, why do they rarely bridge the gap from respected expert to trusted advisor status within the executive ranks of their organizations?

I believe that there are three interrelated factors at play that can explain this “actuarial leadership conundrum”:

- ◆ Certain skills and behaviors that are necessary for effective leadership are not innate in people who are drawn to the actuarial profession.
- ◆ Most actuaries either underestimate or are blind to the importance of these skills and behaviors to their career advancement. Therefore, they do not actively seek to develop themselves in these areas, and they do not recognize that they can compensate for lacking abilities by surrounding themselves with people who have complementary skills while leveraging their own strengths.
- ◆ While these skills and behaviors can be learned, they aren’t taught sufficiently through on-the-job or classroom training.

This article discusses each of these factors in more detail, proposes ways to address the challenges that prevent actuaries from achieving their full potential, and offers a perspective on why this issue is of importance to individual actuaries, their employers and our profession as a whole.

Effective Leadership Defined

A leader is someone whom others *choose* to follow. People choose to follow a leader who clearly articulates a destination (also referred to as a “vision”) and motivates and inspires others to contribute to the

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realization of that vision. An effective leader establishes an organizational structure that allows people to carry out their duties in support of stated goals and plans. The leader understands what types of skills and competencies are needed, in the aggregate, to successfully achieve the organization’s mission and hires and taps into people’s strengths to create a culture conducive to high performance. The effective leader recognizes and helps the organization address barriers to success and, in doing so, inspires confidence in the ability of the organization to reach its stated goals.

It is important to acknowledge that being an effective leader and holding a leadership position are not one and the same. This

article deals with the former and not the latter.

Actuarial Leadership Conundrum

Tenet 1: Certain skills and behaviors that are necessary for effective leadership are not innate in people who are drawn to the actuarial profession.

People who are attracted to the actuarial profession are typically of higher-than-average intelligence and enjoy mathematical problem solving and analysis. Many actuaries would likely classify themselves as introverts, preferring to work alone or in small groups. In general, they do not seek to be the center of attention and are not self-promoting. They pride themselves on being accurate and thorough in their work and are careful to ensure that users of their work product are aware of the caveats underlying their analysis.

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In contrast, people who rise to the leadership or executive level are more likely to be extroverts, or “people people”. They enjoy and get along well with others, they may be skilled at “working a room,” they communicate effectively, they are attuned to and can effectively navigate organizational politics and they appear to engender widespread support from their colleagues. They demonstrate strong personal salesmanship; they successfully influence others by conveying confidence in their own ideas and perspectives.

Other personal qualities that I have observed in effective leaders include good listening skills, empathy, energy, passion, a results -orientation, self-assurance, courage and the capacity for introspection.

Although some of the traits common in effective leaders may not be innate in people who become actuaries, it does not mean that actuaries cannot become effective leaders. Having an understanding of one’s own natural tendencies and learning how to adapt them to fit the situation is the key. With sufficient motivation on the part of the individual and the right support from his or her management, many actuaries can shore up their abilities in certain underdeveloped areas and compete successfully for broader leadership roles in their organizations.

Tenet 2: Most actuaries either underestimate or are blind to the importance of these skills and behaviors to their career advancement. Therefore, they do not actively seek to develop themselves in these areas, and they do not recognize that they can compensate for lacking abilities by surrounding themselves with people who have complementary skills while leveraging their own strengths.

To be motivated to embrace new skills and modify behaviors, actuaries must first recognize that they lack these skills and behaviors and that unless addressed, their chances of being tapped for leadership roles may be limited. This requires a degree of self-awareness that is highly unusual, and, in fact, is likely to have been muddled by the feedback and rewards actuaries received earlier in life and at the start of their careers.

By the time a person achieves actuarial Fellowship, he or she has established a track record of success. Some combination of hard work and natural abilities exhibited in elementary and secondary school resulted in admission into a competitive college. Doing well in college led to acceptance into a competitive actuarial training program. In the program, the combination of passing exams and demonstrating a good work ethic is rewarded with salary raises and

promotions. After twenty or more years of positive reinforcement for being smart and working hard, the formula for success seems obvious to any mathematician.

And then the rules abruptly change, and the path to advancement is no longer clear. It is at this juncture that some confusion and frustration may set in, as lateral career moves replace the pattern of continued upward advancement that the actuary has systematically enjoyed heretofore. Some may misinterpret this as a career stall, when, in fact, it represents an opportunity to test new skills and expand one's network - - important stepping stones to continued career advancement.

That said, for many, movement into leadership and executive positions is not in the cards. Of course, not all actuaries aspire to assume positions of leadership. However, for those who do, the lack of a clear path forward can be unnerving and create disillusionment.

Without a handbook that explains the formula for success from this point forward, some actuaries, not surprisingly, choose to play to their strengths and acquire additional credentials, such as CPCU/CLU or CFAs. Achieving these designations certainly can enhance the actuary's understanding of the insurance business and world of finance, which may contribute to enhanced job performance. But in and of itself, adding more letters to one's business card does not increase the likelihood of being selected for leadership roles.

Others may change companies in the hopes that they will have greater opportunities in a new organization. For some, this may in fact be the case. For others, however, this proves to be a short-term remedy, and leadership opportunities do not emerge.

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advancement to the leadership or executive ranks. In fact, it is estimated that only a small percentage – perhaps 20% – of a person's success in business is a function of their raw intelligence, as measured by IQ. In contrast, a very high percentage, – close to 80% - of success is related to EQ – or emotional intelligence, where emotional intelligence measures abilities and traits such as interpersonal skills, communication skills, adaptability, flexibility, stress management, general temperament and self-awareness.

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Unless the newly-minted actuary is fortunate enough to receive candid and insightful feedback about her barriers to continued success, she may very well remain blind to these issues and continue to behave in old ways that were once rewarded but are not sufficient for effective leadership.

This lack of self-awareness around missing skills and needed behaviors also manifests itself in how some actuaries build teams. With an understanding of their own strengths and weaknesses, it is possible to compensate for their shortcomings by surrounding themselves with people who have complementary strengths. Recognition of the need for diverse skill sets in an organization is only part of the solution, however. Knowing how to attract, reward and develop people with these different abilities and interests is equally important, and it appears to be a relatively rare talent.

Tenet 3: While these skills and behaviors can be learned, they aren't taught

sufficiently through on-the-job and classroom training.

A common feature of actuarial training programs is job rotations. In a company environment, actuarial trainees and new fellows may change jobs every 12–24 months. Similarly, in a consulting environment, actuarial trainees are exposed to a wide variety of client assignments that address different company issues. These job experiences allow the actuary to develop a broad perspective on the workings of an insurance company and the application of actuarial approaches to address a variety of business issues. While in these roles, the actuary's attention is on learning the particular duties of his or her position. It is unlikely, however, that these positions are characterized to the actuary as a testing ground for the cultivation of some of the "softer" skills that are requisite to leadership roles. As a result, the opportunity to learn and deliberately practice those skills and exhibit leadership behaviors has been missed.

In addition to the training that actuaries

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receive through the exam process and a variety of job assignments, most have access to classroom training that focuses on business skills such as making effective presentations, business writing, supervisory skills, and the like. Those who eventually move into more senior roles will likely have access to an additional set of leadership-related courses along with other executives. These classes might cover topics such as strategic planning, leading organizational change, understanding personality styles, conflict resolution, etc.

These classroom experiences are important to the growth of the actuary as a businessperson, but they are not sufficient to ensure that leadership traits are cultivated that will position the individual well for further career advancement. There are several reasons why this is the case. First, classroom training is generic in nature – it teaches to a group without addressing the unique needs of any particular member of the group. Second, it produces short-term results. While in the classroom, the individual is encouraged to try on a new behavior for size. It feels a bit uncomfortable, but the person may see that it makes sense to work at it. Unfortunately, when back on the job, it is too easy to revert back to old and comfortable habits, unless implementation support is provided to ensure that the desired behavior changes become fully engrained.

There are those who believe that leaders are "born and not made" and that leadership training is therefore largely ineffective. Although it is certainly the case that not everyone is equally suited for leadership, this author believes that there are many more people who have the potential to be effective leaders than those who are tapped for leadership and executive roles.

Improving your Actuarial ROI

By the time actuaries achieve Fellowship, they and their employers have invested significant time, energy and money in their training and development. Individuals invest years to study for and successfully complete the rigorous actuarial exam curriculum. At the same time, they hold challenging jobs and are expected to get up to speed quickly in each new role they take. The companies who hire actuarial candidates commit extensive resources to the administration of an actuarial training program, provide several hundred hours of paid study time per year per individual and

pay relatively high salaries and bonuses to actuaries during and after their time in training. In total, it is conceivable that the company's investment in an actuarial trainee who ultimately achieves Fellowship will exceed \$100,000. Additionally, the company will bear the cost of attendance at meetings and seminars that support continuing education requirements post-Fellowship.

It is not clear how companies measure the return on investment from their actuarial training programs. Is the goal of these programs to produce credentialed actuaries, or is it to produce business leaders grounded in the fundamentals of actuarial science? If it is the latter, then companies may well question their return on investment from these programs. Similarly, if companies characterize their actuarial programs as leadership development tracks, individuals hired into them may question why their years of work-study don't automatically position them for leadership roles.

The way to improve the return on the investment individuals and companies make in actuarial training and allow more actuaries to achieve their full potential is to give them the opportunity to strengthen their introspective "muscle". With a well-calibrated sense of self, an actuary who is motivated to hold leadership or executive positions will commit time and energy to learning new skills and behaviors and then practicing and refining them until they become second nature. This takes time, and it takes ongoing support. It requires the creation of a forum that is conducive to introspective learning. As this is a highly personal experience, it is ideally done on a one-on-one, customized basis. It requires candid feedback regarding behaviors exhibited by the individual that prevent him or her from having "executive presence" and the creation of tangible self-improvement goals. These goals need to stretch the person

beyond his or her natural comfort zone to afford growth. There must be accountability for achieving results. And there must be a safety net when the individual occasionally fails.

This type of learning environment can be created by a caring manager or mentor who understands what constitutes effective leadership, is willing to provide candid feedback and is committed to working with the individual over a sustained period of time to set and achieve appropriate self-development goals. Some companies have formal mentorship programs in place within their actuarial departments for this very purpose. However, too often, the experienced actuaries assigned as mentors have blinders similar to those of the people they are mentoring, and the outcome of the mentoring effort is compromised.

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An alternative approach is to have individuals work with a skilled leadership/executive coach who understands the mindset of actuaries, knows what it takes to be an effective leader and appreciates how to support and nurture someone working to change ingrained behaviors. Although there is an added cost to provide this opportunity on a selective basis, it may well improve the company's return on the already sizeable investment it has made in these individuals.

A Call to Action

Having more actuaries at the leadership and executive levels not only serves the interest of individuals and the companies that invest in them, but it also benefits the actuarial profession as a whole.

We can point to occasions in the past decade where the actuarial profession has come under attack for failing to safeguard insurance companies against large capital losses. Actuaries were publicly taken to task several years ago for the large upward adjustment to loss reserves experienced by a number of property/casualty insurers. More recently, the financial crisis pointed to the assumption of excessive risk by many insurance companies; we can be certain that this resulted in some finger-pointing at the actuaries in these companies. In each of these cases, one might question whether the actuary failed to deliver the message, was not heard or was not even at the table where decisions were being made; any of these possibilities suggests a failure in actuarial leadership.

A broader failure in actuarial leadership was acknowledged by the profession itself several years ago when it became clear that other professions were positioning themselves as “risk experts” – a space that actuaries felt they rightly owned. It was determined that the actuarial profession as a whole had not done an effective job of promoting itself in this arena. This led to a campaign aimed at enhancing the image of the actuary and repositioning the profession squarely in the forefront in the evaluation of risk. Today, a number of actuaries serve as Chief Risk Officers. Actuaries who assume these positions need to exhibit superior leadership skills to be effective in that role; communicating effectively, influencing others, demonstrating courage and conviction and building a strong network are among the many leadership skills that will come into play.

We all understand intuitively that actuaries need to be more than skilled technicians to serve the insurance industry

well. It is now time that we take deliberate steps to make actuaries effective leaders.

We need to ensure that individuals entering the profession have personal traits that will facilitate their advancement to leadership positions. Companies should re-examine the objectives of their actuarial training programs and ensure that their hiring and people-development practices are consistent with the goal of producing future leaders of the insurance industry. Actuarial professional organizations should consider broadening their missions to include the leadership development of actuaries and offer programs aimed specifically at this objective.

We owe it to ourselves,, our employers, our profession and our industry to set our sights on the executive suite and do everything in our power to achieve that goal.



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employee and a consultant in the industry. Having worked closely with actuaries her entire career, she is passionate about helping people in the actuarial profession and other technical fields become more effective leaders. She recently founded JML Coaching, LLC, a leadership and executive coaching business devoted to “helping successful people lead extraordinary lives”.

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