



Institute of Actuaries of Australia

The Eighth habit of highly effective actuaries

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THE EIGHTH HABIT OF HIGHLY EFFECTIVE ACTUARIES

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Executive Summary:

From within the actuarial profession there have been pioneers who have broken into new fields, visionaries who have shaped their industries and leaders that have transformed major organizations. One habit that stands out amongst these individuals is their ability to take complex material and explain it to their audience in simple terms – *effective communication*. **Effective communication is the “eighth habit of highly effective actuaries”**. It is the key habit that the broad membership needs to develop if the profession is to achieve its ambitions, move into wider fields, or take a thought leadership role in its chosen industries.

While we can all think of individual actuaries who are highly effective communicators, there is a universal perception that actuaries are poor communicators. This perception is strong both within and external to the profession, in the US, UK, Australia and Asia. The SoA Market Opportunities Research Report concludes *“change the perception {of actuaries as communicators} and anything is possible; leave the perception as it is, nothing else the profession does will have much impact”*. What can the broad profession learn from the pioneers, visionaries and leaders in changing this perception through developing effective communication skills?

The paper reviews the current situation, considers a model of effective communication, and highlights how the profession may communicate more effectively. Its major findings are:

- The actuarial profession as a whole has been severely criticised in recent times for the actuary’s ability to communicate. Market Opportunities Research Reports in the US, the Penrose Inquiry in the UK, and the Morris Enquiry in the UK (through its Interim Assessment Report) have all been critical. Criticisms include “those involved have tended to avoid or resist clear presentation of unavoidable risks and uncertainties that accompany most long-term projections” and “there is insufficient transparency in most actuarial advice”.
- There is a growing demand by employers for actuaries with strong communication capabilities, and a shift in demand away from traditional actuarial fields. **The ability of actuaries to communicate well with and influence the stakeholders in any new discipline will be a driving force in the success of the actuarial profession in moving into broader fields in the coming years.**
- While it may be true that actuarial subject matter can be ‘complex’ and ‘difficult to explain’ that does not take away the responsibility actuaries have in helping their audience to understand the material. The findings of the Morris Enquiry would support the findings of this paper that actuaries have on the whole avoided this responsibility. Great leaders have the capacity to communicate complex messages through their stories and analogies; the challenge for the profession is to develop its own stories and analogies to effectively communicate with broader audiences.
- Effective communication is a process whose basic principles can be readily applied in an actuarial context. Section 3 introduces the “Communication Control Cycle”, a three step communication model based on (1) Specifying the communication need, (2) specifying the communication solution and (3) Monitoring and allowing for audience feedback. To improve the actuarial capability in terms of communication means considering what aspects of the communication control cycle are not well understood or carried out by actuaries.

- While there has been much criticism of actuaries as communicators, little analysis has been done as to what are the root causes, and what are the specific competency gaps. **The key contribution of this paper is to review the actuarial skill set within a model of effective communication to identify what we need to do to develop more effective communication across the whole profession.** Contributing factors to actuarial gaps in communication competencies that are highlighted in section 4 of this paper are:
 - Limited ability of actuaries to simplify the explanations of actuarial subject matter. **While there are individual exceptions, actuaries as a whole have failed to do this.**
 - Learning styles of all classes of membership are highly geared towards modeling and technical problem solving. There were less than 15% of members surveyed with preferred learning styles geared towards interpersonal interaction.
 - Actuarial education has not placed significant emphasis or focus on communication. While this is beginning to change, there is much more that can be done, including CPD requirements to undertake communication training.
 - Actuarial language, so very rich in acronyms, creates a barrier to understanding with the outside world.
 - Few people have an understanding of what an actuary is or does. With differing actuarial professions have differing definitions of an actuary there is no clarity from within the profession. If we fail to communicate what an actuary is, then we will find it very difficult to improve our perception as communicators.
- **While actuaries may be well regarded for technical capabilities, ethics and integrity, the profession will not realise its full influence or potential until it adequately addresses the significant gaps in both the competency and perception of actuaries as communicators. Effective communication will open the doors of influence**
- There is much the actuarial profession can do to improve the communication capability of its members, and to improve the perception as communicators. Three initiatives described in section 6 that the IAAust could consider immediately are:
 - Establish a communications committee to carry out research, set objectives around acceptable communication standards for the profession and implement initiatives to achieve these objectives. This committee would also monitor developments in the UK and US in relation to actuaries and communication
 - Greater focus on education and CPD requirements for business communication
 - Communicate with employers in potential new fields on how the institute is supporting the development of greater capability in this area.
- It is not just up to the institute. Ultimately individual members are responsible for their professional development; section 6 outlines steps individuals can take.

“The days of actuaries being content to talk just to each other, using impenetrable jargon, are over.....We need to rethink and change the entire actuarial culture. We are not our

audiences. Others are! We need to find ways to share our knowledge, expertise and thought leadership with the world”

– Barbara Lautzenheiser, president of American Academy of Actuaries

Background

“There are 3 stages in the education of a professional man.....the first is when he is learning the meaning of the technical terms in order to be initiated into the mysteries of his profession. The second is when he has learned to use these freely and can thus freely exchange ideas with professional colleagues. The third is when he has learned not to use them and can thus communicate freely with the layman. Only at the third stage can he claim to be a professional man” Jim Peglar, 1969 IoA President

A core skill of any profession is the ability to take a technically complex concept or problem and communicate it in a way that the audience or client can understand. Actuaries have long been criticised (along with other professions) for failing at this core skill, for surrounding the message with complexity and for failing to pitch their key message at a level that the audience can understand. Some actuaries have overcome this perception and had enormous influence across different industries

Approach of paper

This paper draws its research from two distinct fields. Firstly, the various pieces of actuarial literature on actuaries as communicators. Secondly, various resources on “best practice communication.” This paper uses this research to clarify how actuaries are perceived as communicators and identify areas for potential improvement, that may benefit individual members, as well as the profession as a whole. It does so by considering the following 6 questions (each question applies to a section of the paper):

1. In the broadest of contexts, how are actuaries perceived as communicators? (section 1)
2. What is the current market demanding of actuaries in terms of communication skills? (section 2)
3. What are the key attributes of an excellent communicator? (section 3)
4. What is the communication challenge in an actuarial context; how does the actuary’s education and professional training support or suppress the development of these ‘excellent communicator’ attributes? (section 4)
5. What is currently being done by actuarial professions in UK, US and Australia to meet the communication challenge? (section 5)
6. What are some possible future actions? (section 6)

Who may benefit from reading this paper?

- Any actuarially trained person dealing with non-actuaries
- Anyone who needs to explain results of their work to their actuarial peers or manager
- Any actuarially trained person who at any time intends on moving into other fields or disciplines
- Anyone who occasionally wonders how they can better hit their target, how can they impart to their audience a better understanding of the subject.
- Anyone concerned about the poor perception of actuaries as communicators and the potential consequences of this poor perception to the actuarial profession

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Introduction

It has been suggested that a great way of setting yourself up for a fall is to write a paper on communication skills which probes into the communication style, quirks and inadequacies or otherwise of the profession that you belong to. 'Leading with a glass jaw' is not something totally foreign to the author, so I have ignored these warnings at my own peril. It is the author's hope there is enough noteworthy material in here to encourage people to think about how they do communicate and what they can potentially do better.

In terms of reading the paper, each section begins and ends with the major points / conclusions. The bulk of each section includes stories and anecdotes illustrating each of the major points in more detail. Major points are typically in **bold**. For those with limited time, you can get a very good grasp for the paper through browsing through the major points / conclusions, and from there consider delving in more deeply in the sections that interest you.

Please note that this paper has been written in a style that is deliberately lighter or less formal than a traditional actuarial paper. It is the author's intent to demonstrate different ways of communicating a message.

1. Perception of Actuaries as communicators

Section 1 identifies that one of the key competencies required for actuaries in the changing world is the ability to communicate well, and to be perceived by potential employers as being good communicators.

The Section 2 main findings in relation to perception of actuaries as communicators are:

- While actuaries are widely perceived as excellent financial technicians, they are often criticised as not focusing on the simple, the commercial and the practical.
- **While actuaries are highly regarded for ethics, competence and integrity, they are poorly regarded in their ability to see the big picture, to apply their specialist knowledge in broader business contexts and to communicate the commercial or political realities of a situation.**
- While these perceptions have not changed over the decades, the business environment has, and actuaries will in an ever-increasing manner, find themselves competing with other professions. The days of monopoly by regulation are all but gone. **To survive in the new world, to enter new fields, the actuary must change the perception of being a poor communicator.**

My interest in this topic began with a debate on the role of communication in the revised Part II subject. In the midst of a discussion on actuarial ability to communicate, a fellow member of the review team observed, "I don't think actuaries are bad communicators. I just think that the content they deliver is really complex!"

It was quite a shock to hear anyone come to the defence of the actuary's capability as a communicator. And as I pondered this, thinking about the possible range of perceptions of actuaries as communicators, I was reminded of a story about Gandhi. Gandhi had entered a city to share his teachings. A man came up to him and exclaimed "Master you are wasting your time here; the people are dumb and ignorant and have no wish to learn anything; don't waste your talents upon them." Upon which Gandhi smiled and said "I have no doubt you are right." Some minutes later another man approached Gandhi, saying "My lord, you are indeed most welcome by all in this fortunate city. The people await the jewels of learnings that will fall from your lips. Their hearts and minds are truly open to you." Upon which Gandhi smiled and replied, "I have no doubt you are right." Gandhi's companion asked him how both men could be right, to which Gandhi responded; "Both men spoke truly according to their own values. The first expects to see the bad in everything while the second sees only the good; *each man perceives the world as he expects it to be.*"

In the same way that each man perceives the world as he expects it to be, perhaps there is a perception in some niches of our community that actuaries can indeed communicate. Better yet, a perception that actuaries are good communicators. Perhaps there even exists a perception that actuaries are indeed quality communicators, capable of enlightening the daftest of CEOs, soothing the most volatile of shareholders, calming the most irate of pension members....

And with great excitement and the innocent, naïve eyes of youth (oh all right, the dulled but hopeful eyes of middle age), I began my search for the multiple different perspectives of how well an actuary communicates. There would no doubt be people who would only see bad in the

way actuaries communicate. These people would provide a litany of examples of bungled communications by actuaries that would prove beyond doubt that, from their perspective, actuaries have no redeemable features as communicators. And perhaps there would be a person who could see only the good in the way actuaries communicate, who would see an actuary approaching and exclaim “Shhhh, let him speak, for he is an actuary; only wisdom and wit will be uttered from his mouth...”

And as you will see from the rest of this section, the search went back in time to Old London Town, to modern day New York, and finally back to the Land Down Under. This search followed closely in the footsteps of Acturius, the mythical actuarial warrior who has trodden the actuarial path from the 19th century through to today. The search continued from employers of actuaries, to the press to (actuarial) presidents and statesmen, to stakeholders in new fields to the very inner sanctum of Corporate Boardrooms. And in search I went looking for the answer to these questions:

- How pervasive is the common perception of actuaries as communicators; do current employers of actuaries and stakeholders in fields of opportunities for actuaries have a consistent perception of actuaries as communicators? Does this vary by country or continent?
- How permanent has been the common perception of actuaries as communicators; has the perception changed over time or has this ‘always been the way?’
- How do actuaries perceive themselves as communicators?

And in the following section the answers are revealed.....

1.1 Perception of Actuaries: UK

The starting point of the review of the UK perception was Peter Clark’s 2000 presidential address. “Communication, Culture and Companionship.” In his address, Peter reviewed many of the IoA Presidential addresses of the 20th century, and uncovered some great pearls of wisdom and insight. This paper takes the liberty of borrowing many of the quotes and observations he unearthed.

Beginning in the early days of the profession, when our warrior Acturius first became the keeper of the abacus, the importance of communication for actuaries was identified. Arthur Bailey noted in his 1881 presidential address, “An Actuary should be a man of general culture with a knowledge both of books and men and the more he has of both the better. He comes in contact with various classes of community and will be of little use unless he can understand and sympathise with the different objects for which he is consulted, and can adapt himself to the different habits of thoughts of his clients.”

There are some very important points highlighted here in terms of the context of actuarial communication. The major themes from this are the need to see from the client’s perspective, and the need to deal with a variety of clients with different levels of technical knowledge. All very important traits of a good communicator. While this identifies some of the skills required, it doesn’t reflect on how actuaries are perceived. So from these thoughts, let’s go next to the aftermath of World War 2, as London is being rebuilt. At this point in history, what was the perception of our warrior, Acturius, as a communicator?

“One still meets, I’m afraid, as an echo of the past, that the actuary is a remote, academic and altogether superior person; a cross between a high priest, performing

mysterious rites, and a Delphic Oracle, speaking Greek, in riddles, and, even then, only upon receipt of a large fee” A H Rowell, 1946, President IoA

Well, not a great start to the search. Intellectually arrogant, complex, confusing and expensive. If only the expensive were still true! One of the most interesting points to this observation is that in 1946 this perception was seen as ‘an echo of the past’, as an antiquated or outdated view. Which is good, for surely this outdated view would not persist into the 21st century, if it were indeed an antiquated echo of the past?

Moving to modern times, Peter Clark observed *“I venture to suggest, over 50 years later, that the criticism may be dying, but is far from dead. We chose the softer option of leaving it to die rather than proactively killing it. For instance, a recent newspaper editorial included the comment, “but he is an actuary, not a communicator.”* “

Hmmm, the implication that the terms ‘actuary’ and ‘communication’ are mutually exclusive. The implication that we as a profession have not gone out to proactively address perceptions of actuaries as poor communicators. Not very encouraging.

As I continued to read recent UK actuarial literature, it became increasingly clear to me that the perception of the UK Actuarist was that he had some way to go as a communicator. Much work was needed to turn around the perception of Actuarist. The ‘beast’, the communication monkey on the back of the profession, was alive and well.

It would be remiss to review UK literature on this subject without including some interesting quotes from the actuary’s actuary, Frank Reddington:

“As a profession we are apt to be accurate, cautious, consistent and reticent, and in these lies our strength; but if they do not leave enough room for impulse and imagination, they can be a weakness. The actuary who is only an actuary is not an actuary” – A Ramble through the Actuarial countryside.

From Anthony Asher’s 1999 paper ‘The Education and Continuing Professional Development of Actuaries.’ he notes that one of Frank Reddington’s favourite sayings was *“if a man cannot explain his ideas ... either they are not very important or he did not properly understand them himself.”*

So if we truly understand the subject we are communicating, we should be able to explain in reasonably simple ways.

Peter summed up the UK challenge in the closing address:

— *“The challenge is to communicate - not in mathematical symbolism, but in persuasive words. Let us ensure the phrase ‘I’m an actuary and I’d like to explain’ is an accepted reality, and not one of the world’s four most unbelievable sayings”*
Peter Clark 2000 IoA Presidential Address

And in March 2004, the Penrose report was published, and criticised actuaries on a number of fronts, including a lack of clear communication to all interested parties. Following the Penrose Inquiry the Morris Enquiry, through its Interim Assessment Report, has concluded that there are “quite serious problems faced by the (actuarial) profession in the UK”. These include “those involved have tended to avoid or resist clear presentation of unavoidable risks and uncertainties

that accompany most long-term projections” and “there is insufficient transparency in most actuarial advice”. **These are significant criticisms about the actuarial profession’s ability to clearly communicate its work.**

So much for the UK. Perhaps the US would offer some diversity of opinion, some morsels of respect for the silver tongue of Actuarium. So the search continued, moving from the dark streets of old London town to the bright lights of New York.

1.2 Perception of Actuaries: US

In recognition of the changing landscape in the US, and declining demand for actuaries in key practice areas, the SoA commissioned a detailed review, in 2001, of how Actuarium is perceived amongst key stakeholders. I’d recommend you sit down before reading this report. It is not for the faint-hearted actuary.

Some of the most damning of the comments from the ‘Market Opportunities Research Report’ are contained in the following extracts:

“The challenge for the SoA and the actuarial profession is that employers, even traditional employers of actuaries, perceive that very few actuaries have both the quantitative skill and business savvy to analyse situations, and to create common sense strategic solutions that are easily communicated to all target audiences”

“Both traditional market employers, all of who are actuaries, and broader financial service interviewees universally harbour the same perceptions of actuaries that have persisted for decades...Actuaries:

- *...perform statistical magic...providing elegant solutions to quantitative problems*
- ***usually fail at trying to translate these elegant sophisticated solutions into either understandable presentations or practical solutions***
- *generally lack the Creative Business Savvy skills today’s employers rate equally important to quantitative and risk management skills*
- *.....a limited knowledge and ability when asked to apply their expertise in broader business disciplines”*

The SoA paper, “A moving image – reflecting the future of the actuarial profession”, refers to a 2003 SoA member Survey of how a employers ranked actuaries relative to competitors (MBAs, accountants, financial analysts and risk managers). The findings? “Both actuaries and employers agree that the profession needs to improve in the same four skills: business communication, ability to focus on the big picture, business acumen and being proactive...With regard to business communication, competitors were ranked substantially higher “

Ouch. The key message from the US is that **Actuarium is seen as being great at financial analysis, but somewhat less than good at communicating or explaining it and putting it into a practical solution.** Closer inspection of the above comments reveal the depth and breadth of the perception. **This perception has been continuing for decades, its common in both traditional employers and wider financial services, and amongst actuaries themselves.**

Disheartened with this romp through the US actuarial countryside, I decided to return home to sunny Australia, to the land down under. The place where Actuarium has already begun changing his role, the place where Actuarium has already begun the move into wider fields.

Surely some gems of respect and gratitude for the clarity and simplicity of Actuarium's elegant craftsmanship would emerge.

1.3 Perception of Actuaries: Australia

1.3.1 Presidential Addresses

Australian presidential addresses provided a wealth of introspection on the role and perception of Actuarium, so it is only fitting that we review some of the more recent observations from the doyens of Australian Actuarial society:

".... we are widely respected for our numeracy and intellectual capabilities, and also for our expertise in certain specialist areas. At the same time we are often regarded as academic and impractical, as obscure and indecisive. We can be seen as obsessed with detail without appreciating the 'big picture' ."

John Trowbridge 1998 Presidential Address

"...In the recent member survey.....some of the phrases that were used to describe the perception of the profession included insular, outdated, boffins and in danger of becoming irrelevant."

Helen Martin 2002 Presidential Address {comments by Helen following the presentation}

"...Survey of our membership ...responses to the question 'How do you think actuaries are perceived in your sector or industry'.... intelligent, capable, respected, expensive, professional, poor communicators ..often theoretical, technical..."

"....We need to remain relevant in the world going forward, not to rely solely on our position supported by the legislated roles we have, to adapt to the changing financial environment and to continue the movement into the wider fields"

"To help do this, I believe that we need to both develop and demonstrate our business acumen and also remove the bogey that we are poor communicators."

Chris Lewis 2003 Presidential Address

One bright spot was a discussion with David Knox, who commented that in a recent conversation with a CFO, the CFO made the observation "I have never met an actuary who is a bad communicator"! A welcome light on an otherwise dark horizon.

Conclusion: Impractical, obscure, indecisive and obsessed with detail....insular, outdated boffins – hardly the traits of a great communicator! Clearly there are issues with perception from within the Australian profession.

1.3.2 Comments from 1999 Stakeholder Research Private Health Insurance:

During the period of regulatory and fund reform in private health insurance in Australia in the late 1990's, market research was carried out "among key staff in private health insurance funds, corporate private hospitals, industry associations and Government / regulatory agencies concerning the current and potential role of actuaries in the private health insurance industry.." The findings were all too familiar:

“Relative to other professions, actuaries were generally perceived to be lacking in communications and consulting skills.....key weaknesses included: inability to express issues in ways that can be readily understood by non-actuaries ...sometimes dry or otherwise deficient communications delivery ...tendency towards complexity for its own sake.”

With the search almost complete, and a remarkably high correlation in the perceptions of Actuarium as a communicator, I drew a breath of thanks that at least I wouldn't have to fit a model or perform a regression analysis to make sense of these results. All that was left to do was to review other things written about Actuarium from outside of the profession. The major source of material came from the old but reliable actuarial joke list, no doubt carefully constructed by a financially literate professional who had a healthy respect (or otherwise) for Actuarium:

1.4 Perception of actuaries - Jokes

“In every joke there is an element of truth...”

I hold the view that jokes do represent how different individuals or cultural groups are **perceived**. The truth or otherwise of the perception makes no difference – the joke is only funny because of the common perception of the butt of the joke. Dan Quayle replaced the Irish man as the daftest man in joke circulation (‘If life was fair then Dan Quayle would be making a living out of asking the question “Would you like fries with that?...”’. True or not it is a widely held perception.

And now on to the financial service sector's favourite pass time, jokes about Actuarium:

“Can anyone spot the extroverted actuary? He is the one staring at the *other* persons shoes.”

“You can lead an actuary to the microphone, but you can't make him communicate.”

“An Actuary is an accountant with a charisma bypass.”

“A communicator is a person who takes something complicated and makes it simple. An Actuary is a person who takes something complicated.....and makes it EVEN MORE complicated.”

The only conclusion from the jokes section is that the general perception of actuaries is closer to the poor than the great communicator, very much in tune with the rest of this section.

1.5 Consequences of this perception

So what does all this mean? Who cares if we aren't perceived as great communicators? A very important aspect of the US Market Opportunities Research Report is that it carefully considered the consequences of the perception of actuaries as communicators. Some of the more important comments are contained in the following extracts from the Report:

“perhaps the biggest consequence of ignoring these results is that the employment marketplace will continue to perceive actuaries just as they do now, and employment opportunities that could go to SoA members, current and potential will go to people with other kinds of educational backgrounds and credentialsas a profession,

actuaries continue to play the same role, and enjoy the same perception among business leaders, as they have for the past 15 or 20 decades”

“change the perception and anything is possible; leave the perception as it is, nothing else the profession does will have much impact”

“ultimately the SoA and the profession will have to change the business community’s perception of actuaries. That effort will require a long term commitment, deploying every means at the SoA disposal, and a tenacious, pervasive focus”

If you have a minute to reflect, now would be a good time. Read the last 2 quotations a few times. The SoA are not viewing the perception of actuaries as communicators as an annoyance or minor obstacle to overcome. Rather, they see this as a key strategic threat that ‘will require long term commitment, deploying every means at the SoA disposal and a tenacious pervasive focus’. **If we accept the findings of the US survey, we accept that the perception of actuaries as lacking in communication skills and business acumen is one of the greatest present threat to the profession, that will require an enormous amount of energy, tenacity and commitment to turn around.** Not to mention good communication! **“Leave the perception as it is and nothing else matters.”**

1.6 Perception – some conclusions:

The case against Actuarius as a communicator is so compelling, so pervasive, and so permanent that we are not left in any doubt about how (s)he is perceived:

- **Throughout the swirling mists of time, from when Actuarius first walked the earth up until today, in all walks of life, in all countries, with all stakeholders internal and external to the profession, Actuarius has carried the cross of ‘poor communicator’.**
- While actuaries are widely perceived as technical tigers, kings of complexity and statistical magicians, they are often criticised as not focusing on the simple, the commercial and the practical.
- While actuaries are highly regarded for ethics, competence and integrity, they are poorly regarded in their ability to see the big picture, to apply their specialist knowledge in broader business contexts and to communicate the commercial or political realities of a situation.
- While these perceptions have not changed over the decades, the business environment has changed dramatically. Actuaries will increasingly find themselves competing with other professions. The days of monopoly by regulation are all but gone. To survive in the new world, to enter new fields, to compete effectively, the actuary must change the perception of being poor communicators.

One of the first steps in changing this perception is to review what good communication is perceived to be, which is set-out in the next section.

2. Actuarial resources – demand and supply

*Come gather round people
Wherever you roam
And admit that the waters
Around you have grown
And accept it that soon
You'll be drenched to the bone
If your time to you
Is worth savin'
Then you better start swimmin'
Or you'll sink like a stone
For the times they are a-changin'*

“The times they are a-changin’” Bob Dylan 1963.

More than forty years after this song was penned and times continue to change. Along with just about every other group of professionals, the actuarial profession, both globally and within Australia has changed very dramatically over the past decade. **For any profession to survive in changing times, the members of the profession need to adapt and develop skills and attributes that are useful and valid in the new environment, and skills of adapting to, and thriving on, constant change.**

“It is not the strongest of the species that survives nor the most intelligent, but the one most responsive to change” Charles Darwin

While the actuarial profession is clearly still a valued profession, the landscape has changed, and the type of actuary who will be successful in the next decade may be very different to the actuary who was successful a decade ago. The growing importance of communication skills in the changing environment is the key focus of this section. The major findings from this section are:

- Demand in traditional areas has been declining, while the number of actuaries continues to grow. This trend is expected to continue. The current and likely future changes in supply and demand have increased the need for the profession and its members to look at alternative areas of employment for actuaries.
- The demand for actuaries in new fields will be heavily influenced by the reputation of actuaries in terms of providing elegant, robust solutions in a variety of commercial situations. **The ability of actuaries to persuade, and to communicate well with the stakeholders in any new discipline will be a driving force in developing the reputation necessary to successfully move into broader fields in the coming years.**

2.1 Impact of market changes on Employer demand for skills

In the context of changing environment, the SoA Market Opportunities Research paper identified how employer demand for skilled professionals is changing:

“Employers in the market place do seek people with quantitative skills. Indeed, they want a few highly skilled quantitative analysts in every firm. However, they want the vast majority of risk analysis and risk solving experts to have a slightly lesser degree of quantitative skill than an actuary, combined with broad creative business savvy...”

A 2004 study in Australia identified the major weakness of newly qualified financial specialists as their ability to communicate their ideas. {AB TO PAD THIS OUT}

The author’s discussions with various HR professionals highlight the strong move towards the “soft skills” as a key differentiation when employing people. The focus on communication or business acumen skills in today’s organization is much greater than it was in the organizations of a decade ago. This means that the professions that support the development of these skills will be best placed in the changing market.

So what does all this mean for the demand for actuaries? Peter Clark in his 2000 IoA presidential address refers to an “e-actuaries” paper in June 2000, which observes that “the demise of the insurance industry as we know it will not necessarily make the actuary an endangered species. **Actuaries need to be proactive in leading and managing change in the financial services industry, by adding to their skills set when necessary and utilising traditional skills to their full effect**”. Primary amongst them is communication skills.

2.2 *The changing demand and supply of actuaries:*

2.2.1 The following table (adapted from Chris Lewis 2003 Presidential Address) shows how the demand for IAAust qualified actuaries has changed over the last ten years.

Principal Activity	1992	1997	2002
Life	224	317	314
Super	178	218	154
Investments & Finance	35	104	141
General	31	94	140
Other	139	137	324
Total	607	870	1073

Other includes education, software, management, energy markets and those who didn’t complete survey!

The trends emerging here are very clear:

- Between 1997 and 2002, there was zero growth in number of actuaries working in Life Insurance and a significant decline in the number of actuaries working in Super. **The overall number of actuaries working in traditional fields (Super and Life) has dropped from around 65% to below 45% of total actuaries over a ten year period.**
- There has been very rapid growth in actuaries employed in Investments, General Insurance and other areas.
- The introduction of a compulsory Investment unit from 2005 is expected to accelerate the change in supply away from liability subjects, as all newly qualified actuaries will have to pass the investment subject.
- Despite the changing environment, the number of fellows has been increasing steadily, at around 50 per annum.

2.3 Role of communication in a changing environment

Darwin observed that to survive in a changing environment, a key success factor is being responsive to change. Doing the same things we have always done, communicating in the same way we have always done, will not be a great strategy in times of rapid change. To develop credibility in new fields, to market our profession and ourselves we need to convince potential clients we have the skills to add value in these areas. Quite simply, the weaker our communication skills and ability to respond to needs and nuances of new clients, the less will be our success in being able to convince clients of our value, and in breaking into new fields.

In Peter Clark's 2000 presidential address he highlights as one of the key objectives of the IoA vision the development of 'good communicators who can explain actuarial methodology and conclusions to others.' He goes on to observe that "Without the achievement of that objective, there is no conceivable way in which Actuaries in 2020 will work in a much wider range of businesses than at present. Indeed, without it they will be constrained more and more into technical boxes in the darker recesses of existing organisations."

Alan Merton, commented at the discussion on Dick Mitchell's 1999 IAAust presidential address that:

"Our skills are very important but unless we can communicate what we can do to other people who can use our advice, we will get nowhere"

In a nutshell, for the actuarial profession to meet the challenges of the next decade, strong communication skills will be an essential competency.

2.4 Conclusions:

- The actuarial profession in Australia has undergone significant change in the last decade.
- While demand in traditional areas has been declining, the number of actuaries continues to grow. These changes in supply and demand have increased the need to look at alternative areas of employment for actuaries.
- With expected further decline in demand in the traditional areas of Life Insurance and Superannuation, the push into new fields will need to continue to ensure adequate demand for actuarial professionals.
- The demand in new fields will be influenced by the reputation of actuaries in terms of providing elegant, robust solutions in a variety of commercial situations.

- **The ability of actuaries to persuade, and to communicate well with the stakeholders in a new discipline will be a driving force in the success of the actuarial profession in moving into broader fields in the coming years.**

*The line it is drawn
The curse it is cast
The slow one now
Will later be fast
As the present now
Will later be past
The order is
Rapidly fadin'
And the first one now
Will be later be last
For the times they are a-changin'*

“The times they are a-changin’” Bob Dylan 1963.

3 Communication Control Cycle

“Good communication is as stimulating as black coffee and just as hard to sleep after”
Anne Lindbergh

This section is essentially an outline of a short communication course within a business context. The purpose of including this in an “actuarial” paper is to gain an understanding of the attributes of good communication, so that we have a framework from which we can assess the competency of actuaries as communicators. It is also intended as a ‘refresher’ for readers on the different aspects of communication. What aspects of communication are you already fully competent at? What areas of communication can you utilise better?

The major areas covered in this section are:

- 3.2 The communication control cycle:
 - Specify the communication need
 - Specify the communication solution
 - Monitor the audience feedback
- 3.3 Specify the communication need
 - Understanding how audience process (and respond to) information:
 - Global vs Specific
 - Emotional vs Logical
 - Towards vs Away from
 - Matcher vs mismatcher
 - Black & white vs shades of grey
 - Why vs What vs How vs What if
 - Past vs Present vs Future
 - Judging vs Perceiving
 - Understanding the audience needs
 - What’s in it for me (WIIFM)
 - Convincers
- 3.4 Specify the communication solution – content and structure
 - Match the message to the audience
 - Be congruent – content, voice and body
 - Keep It Short & Simple (KISS)
 - Have a clear structure
 - Respect your audience
 - Make the presentation memorable
 - Show conviction in what you are saying
- 3.5 Monitoring feedback
 - Feedback is the breakfast of champions
 - Seek first to understand and then to be understood
 - The meaning of a communication is the response it receives
 - Gathering feedback

3.1 An introduction

As an introduction to the important topic of “what makes a communication excellent,” let's take a trip into the future, to 2007 to visit our friend Actuarius, to see how he is faring, and to perhaps pick up a few tips on communication.

Actuarius has taken on the persona of Stanley Smith, the Appointed Actuary of the Daft Financial Services Australian life insurance subsidiary, Daft Life. Daft Financial Services has just appointed a new CEO, Roger Rogerson ('RR') from a manufacturing background, to head up their Australian subsidiary. The new Daft CEO is keen to get on top of the major issues with the various Australian subsidiaries, and arranges a meeting with the Daft Actuary, Stan ('SS'). RR also has some queries on the financial condition of the conglomerates superannuation fund, for which SS is the Actuary.

And as with all things in life, the meeting time arrives:

- RR: Stan, to set the context for this meeting, I want you to outline for me the key issues or risks that we face for the Life subsidiaries, and I'd like an overview of the financial condition of the super fund.
- SS: Certainly, Roger. Beginning with the Life Company, we are estimating that the introduction of the new IFRS requirements for stochastic modelling of asymmetrical risks will, for conventional products increase our capital requirements by \$200m. Not to mention the impact of the way DAC is treated for risk products. The initial DAC capitalisation is only partial and may lead to significant new business strain. The quasi amortisation methodology proposed inadequately reflects the way that the new business will run off. As for the super plan, we are under funded under the PPC FAS87 methodology by around \$145m but should be adequately funded under the funding methodology proposed for the IFRS GAAP.
- RR: Sorry, Stan. I must have switched off, that just flew right over my head. What on earth is IFRS? Whose dacks are being treated for what; and what's so conventional about our products? And why on earth would our new business run away?
- SS: (*taken aback*) Ah! IFRS stands for International Financial Reporting Standards, DAC stands for Deferred Acquisition Cost, and by conventional products, I mean participating products. New business run-off of course means how the tranche of new business we have written in a particular year will decline as clients lapse.
- RR: (*clears ears as eyes begin to glaze*). Look Stan, I think we just switched from Italian to Dutch. I know you told me something completely different yet still indecipherable. Can we try again, in words that the Daft CEO can understand?
- SS (*starting to sweat/fidget*). Deferred acquisition cost is an asset set up to recognise that the costs associated with a new sale (commission and new business admin, underwriting, etc) are higher than the expense related premium or asset charges in the first year. However, these are recovered from future

premium or asset charges. Essentially, it's a timing difference between when we incur these costs and when we get recoveries from the client.

RR: So we pay for the expense up-front and then charge them back to the client over a period of time? And we record an asset on our balance sheet to offset this loss on sale?

SS: *(Relieved at last)*. Yes! Precisely.

RR: *(Frowning)*. What happens if the client cancels their policy before we have fully recovered this cost?

SS: Well, as I mentioned earlier clients do lapse their policies, which leads to the pattern of run-off of the new business. If across a whole portfolio we have higher lapses than expected then we might need to write down the DAC.... By that I mean reducing the value of the DAC asset beyond its standard amortisation.

RR: We may reduce the value of an asset that never existed?

SS: Well, its an intangible asset, so in that way

RR: *(interrupting crossly)*. Stan, this whole conversation is intangible! I arranged this meeting to clear away the veil of uncertainty, but instead you erect a wall of obstruction and acronyms! I want you to go away and come back with some clear explanations on this. Crystal clear.

SS: That's clear. Ah, I will, um, analyse the explanations to convey these terminologies in a more transparent manner and debrief you next week.

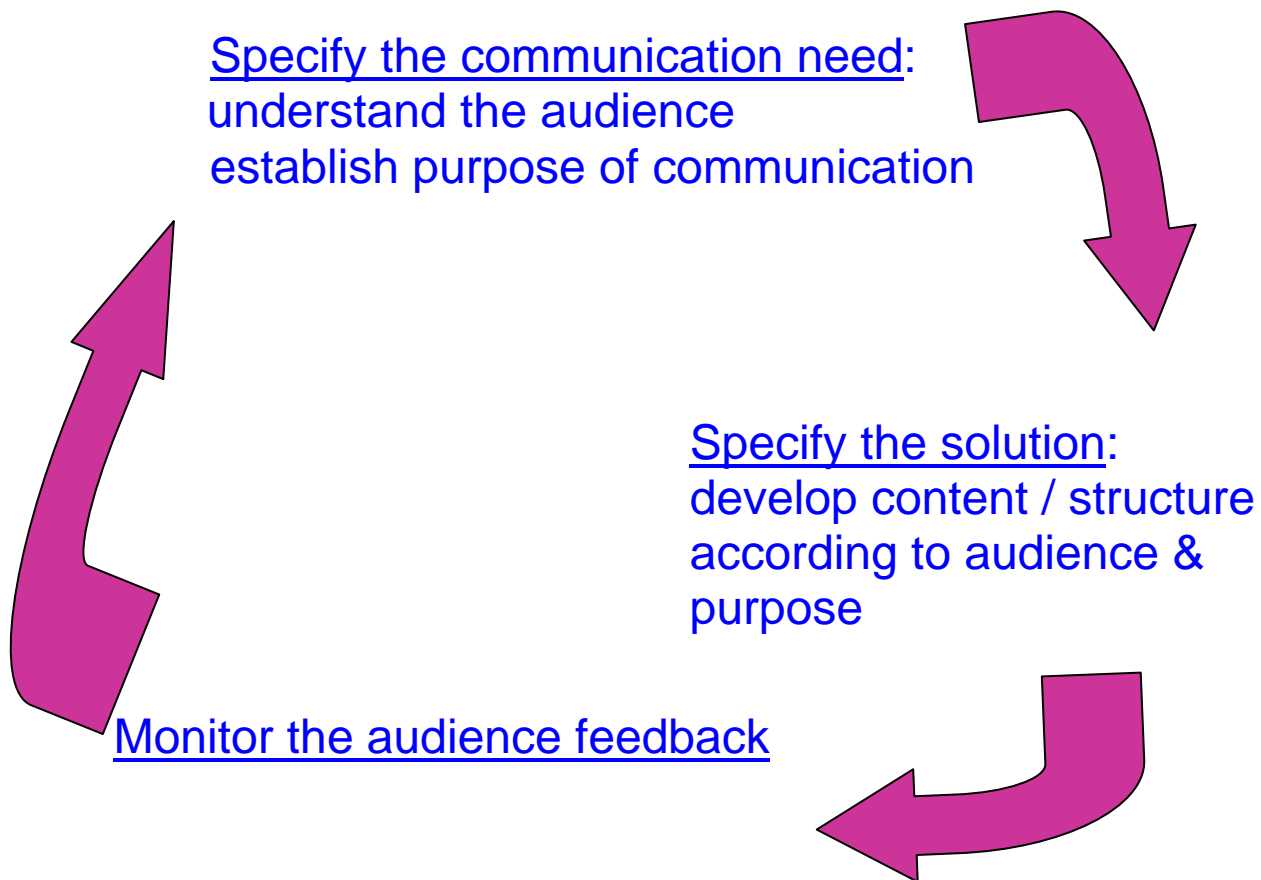
RR: Good, I think. See you then!

Well, Stan (a.k.a. Actuarious) has some challenges ahead of him. No doubt he would benefit from reading the rest of this section on communication skills!

3.2 *The Communication Control Cycle*

This section is based on a review of numerous communication resources, covering verbal communication, written communication and presentations to business audiences. While the purpose of a communication may vary (persuade, motivate, inform or entertain) the key focus of this section is to distil the basic communication process common to these differing purposes and objectives.

The basic messages that consistently come through communication literature are summarized within a simple control cycle:



This communication control cycle is very similar to an actuarial control cycle in that it has three basic steps: specify the need, specify the solution, monitor the feedback:

3.2.1 Specify the need – the critical step in specifying the communication need is really understanding what your audience desires. This is about being able to walk in the shoes of your audience, peer through the eyes of the audience, hearing through the ears of your audience.

While understanding the need of the audience is critical in communicating with the audience, **having a clear purpose or objective for your communication can also have a huge influence on the communication outcome.**

3.2.2 Specify the solution

Once you have a clear appreciation of the audience's needs and concerns, the next step is to develop the content or structure that will suit the audience and the subject. While there are parts of the communication solution, which will be specific to your audience, and will need to be tailored to the particular audience and context, there will also be some very general rules of thumb that apply in any situation. Another key element in specifying the solution is to ensure that the communication solution will achieve your purpose. All aspects of specifying the solution are discussed in section 3.4

3.2.3 Monitor feedback - the communication feedback mechanism may be very different to an actuarial feedback loop in that when we communicate with another person, we are constantly and instantaneously receiving feedback. Any interpersonal communication will have hundreds or thousands of pieces of information to gather, analyse and respond to, whether it be body language, voice tonality or emphasis or the content of the message. And the feedback may allow for some time to respond and consider, or may require an instant response. Section 3.5 considers the types of skills and attributes required to gather and respond to feedback appropriately.

3.3 Specifying the communication need

3.3.1 How people process and respond to information

People process, learn from and respond to information in a variety of different ways. These may be contextual, and may not be permanent. For Example a person can be an extrovert in certain contexts and at certain times in their life, but may be an introvert in other contexts or in the same context but at a different life stage. By understanding and identifying how people form perceptions and process information, we can better identify how to communicate with a person in their model of the world.

In Bob Bodenhamer and Michael Hall's 1997 book "Figuring out People," the authors identify 51 different ways through which people process information and form judgements and perceptions. Hall and Bodenhamer describe the importance of this in a communication context:

"Recognising how a person works enables us to figure out their model of the world (their mental paradigm) that describes their internal "reality." This increases understanding and enlightens us about "where the person comes from". It also increases our sense of empowerment. Why? Because in knowing how I work, or how someone else works, enables us to evaluate and match that working."

In short, understanding how people process and respond to information allows us to better appreciate the audience perspective and pitch the communications at the audience in a way that they can understand it.

This section is intended to identify the major differences that we need to be aware of in order to understand our audience. In terms of our audience, people will typically have a preferred style,

with the flexibility to adjust from context to context. So let's now review some of these processes:

Global vs Specific

Global – focus on principles, vision, direction, top down

You know when you are dealing with a person acting from a global perspective when you hear things like:

“Don't give me the details; just give me the big picture”

“How is this aligned with the strategy?”

“What's the story around these numbers?”

Specific - focus on the detail, breaking it down, splitting the atom, bottom up.

You know you are dealing with an audience who want more specific information when you are getting questions like:

“Can you give me more detail around how the morbidity table was graduated”

“What specifically do you mean by....”

“Can we drill down into the timetable...”

“On p31, line 7 you mention the discount rate methodology. How was this derived and what data was this based on....”

Example:

Alistair Mant, in his book “Intelligent Leadership” outlines one of the key skills of the leader as being able to understand the global perspective, while having the intuition/understanding of the business to know when to drill down into the detail. In a nutshell, being able to mentally flip between a global and a specific view.

Population statistics:

Around 60% of the population have a preference towards Global, while 40% have a preference towards Specific. (Source: Bodenhamer and Hall, Figuring out people, 1997)

Emotional vs Logical – Feeling vs Thinking

Emotional – focuses on people, feelings

Logical – focuses on facts, statistics

Example:

A story to demonstrate this comes from a former life insurance agent I met called Dave, who had become a taxi driver. Dave lamented the changes in the life industry and the move towards ‘needs based analysis’ and ‘fact finding’, as he saw these as unnecessary form filling and bureaucracy. He believed that life insurance was all about stories, and that his clients were far more responsive to stories than facts and needs analysis. When Dave was an agent he had a standard stock of stories, such as the one about his mate Norm who was healthy all of his life.

Suddenly at the age of 47, Norm had severe stomach pains, and on diagnosis, was found to have an advanced cancer from which he died within a couple of months. Norm didn't have life insurance, and his wife lost the house, as she couldn't keep up the mortgage repayments. From Dave's perspective, "everyone knows of a Norm, so this really brings home the importance of insurance".

As Gandhi would have observed, there is no doubt that Dave, from his perspective, was right. Dave's warm personal style would suit many clients, particular people who placed more emphasis on relationships and how they were made to feel, than on cold facts and figures. I wondered whether he would have been better able to survive in the changing industry if he had been able to develop a different approach for different clients, tailoring to meet their own personalities, preferences and convincers. Food for thought.

Does the typical audience you pitch a solution to fit into one camp, or straddle both? How could you target your communication to cater for both? As the industry changed, **Dave struggled to adapt because of his limitations in communication flexibility – as actuaries working in a changing landscape, do we face the same risk?**

Population Statistics:

The population is fairly split 50 / 50 between people with a preference towards feeling vs people with preference towards thinking. (Source: Bodenhamer and Hall, Figuring out people, 1997)

Towards vs Away from.

Towards – seeks information or opportunities that will move towards the objective or goal.

Away from – seeks information that will highlight how a proposal will avoid or prevent a potential risk.

Is your audience seeking to move towards some new technology or efficiencies, or moving away from an existing problem or inefficiency. To communicate with a 'towards' oriented person, they will be interested in the carrots, bonuses and incentives in the plan. To communicate with an 'Away from' oriented person, talk about the problems that will be minimized, and how the particular idea will make that person's life easier.

Example:

There was recently a study done on strategies of best selling "How to" books. The number one strategy of best selling authors was to include both do's AND don'ts, ie both what to move towards and what to move away from. Any presentation or proposal should consider BOTH what is being created and what is being avoided.

Population Statistics:

Across the population, there is a strong percent of people in each camp - 40% of population have preference for towards, 40% away from, and 20% both operating equally. (Source: Bodenhamer and Hall, Figuring out people, 1997)

Matcher vs Mismatcher

Matching – seeks common ground, what you agree with

Matching is a great strategy for any situation that requires strong rapport to get a favourable outcome. One obvious example is selling; another is developing client relationships. Matchers live by the 101% rule: *“Find the 1% area of commonality and attack it with 100% enthusiasm”*. You know you are dealing with a matcher when you hear phrases such as:

“Yeah, that’s right...”

“Of course, of course..”

“Oh, I agree...”

Mismatching – identifying what is not included, what is different to expected, what you don't agree with

With a mismatcher, you could expect statement such as

“That won’t work because....”

“What about.....”

“Yes but.....”

Population Statistics

Around 70% of the population have a preferred style of matching, while around 30% have a preferred style of mismatching. (Source: Bodenhamer and Hall, Figuring out people, 1997)

Black white vs Shades of grey

Black/white – there is only one right answer: Eg the profit is 105

Shades of grey – the answer is bounded by an upper and lower limit, and could fall anywhere in that range: Eg depending on how we can set assumptions, profit is in the range 50 - 150

To glean how actuaries are often perceived on this front, here is yet another tasteless actuarial joke.

The actuary was asked ‘How many actuaries does it take to change a light bulb?’
He promptly responded ‘How many would you like it to be?’

As an actuary, you are well aware of the uncertainty and subjectivity of many assumptions being used, and the potential distribution of outcomes around the mean. The challenge is how to maintain credibility in the eyes of an audience expecting clarity and certainty.

Why vs What vs How vs What if

Why? - what is the importance of the investigation, what are the wider implications on pricing, capital, value, reporting? This is about purpose and provides the ‘motivation’; a person with a strong why preference will not feel motivated until they understand the purpose behind what they are doing.

What? – what do I need to learn to understand the topic? This is the content of the subject. What are the results of the investigation?

How? – what is the process...how was the investigation carried out? How can I use this?

What if? – “How would this play out if....”, “If we applied this in a different context, what would that imply?”, “Where else can I use this?” The ‘What if’ is about generalising a piece of knowledge to see what other applications it may have.

Depending on the scope of significant work being undertaken, all of these may need to be incorporated into the communication.

Population Statistics:

Why/what/how/what if	Percent of population with this as preferred category
Why	35%
What	22%
How	18%
What if	25%

(Source: Bodenhamer and Hall, Figuring out people, 1997)

Past vs Present vs Future

There can be very significant differences on how people respond to a proposal depending on whether its based on (past) historical information or technology, based on the present (current facts, status, technology) or on potential future directions ie recent developments extrapolated out into the future.

Someone who is acting in a past oriented context may make statements such as “In my previous role we valued it using this methodology. That’s what I’d like to use as a starting point.” They will have a strong respect for history and tradition.

Someone who is acting in a future oriented context may ask “How well does this tie in with the proposed new standards and the International Accounting Standards?” “How are we going to take advantage of the new technology?”

Example:

In a particular department I once worked in, there had been a highly unsuccessful product launch, and many people in the department had staked their career on the failed product. After 18 months of poor sales, a new manager came into the department, and one of his first tasks was to close this product and start afresh. Rather than tear down the team and find scapegoats, he talked about how the old product had been based on the best information at the time, and while it served a purpose in filling a product gap, the market and circumstances had changed. I will never forget this, because it made such an impact on the people who had staked their reputations on the previous product. It gave them respect for what they had done, but also gave them a way forward. Because they no longer needed to defend past decisions, (‘it was appropriate at the time’), they could move on to the new. The new manager quickly and successfully repositioned the department, simply by recognising the past, and focusing on the future. “Pay Homage to the Past.” and “Focus on the Future”.

Judging vs Perceiving

Judgers prefer clear up-front guidelines and an outline of a plan, including orderly progression towards the plan outcomes. A judger prefers to control, and often makes quick decisions,

A judger is identified by statements such as:

“Failing to Plan is planning to fail”
 “Working back from the deadline, we will need”

Perceivers flexibly adjust to things as they go, and often prefer to get all the facts before making a decision, and tend to like their options to remain open.

A perceiver could be identified by statements such as

“Let’s play it by ear”
 “We’ll start now and figure it out as we go along”
 “Let’s keep our options open”

A balance of perceiving and judging is a wonderful thing! Being able to adapt as circumstances change, within a clear plan and framework. In a communication context, having a clearly planned presentation with specific conclusions and recommendations, and being able to flex within this framework with the questions asked and the issues raised.

Population Statistics

The population is split 50/50 as to preferred style. (Source: Bodenhamer and Hall, Figuring out people, 1997)

3.3.2 Understand the Audience Outcome

While we now have a better sense of how the audience process information, we now need to make sure that we understand what outcomes they want, and pitch the communication accordingly.

WIIFM (What’s in it for me)

To gain the attention of the audience, you will need to convince them that it’s going to be in their best interests to review the proposal and listen to what you have to say. That is, there is something in it for them! Why have they attended? What outcome do they want?

Align your purpose with audience purpose. What is going to gain their attention? Who are they? What motivates them to be here, what are their needs, desires and achievements? What is their frame of mind? Appendix 3 provides a checklist of considerations for meeting audience needs.

Often the best way to gauge the audience needs is to ask them up front. This allows you to demonstrate to them that you have listened to them and can solve their problem.

Convincers - How much time do you need to hear a message before you accept it? What does the audience need in order to believe a message ie see it, feel it, understand it? A common

theory is that three is a magical number – three consistent pieces of information are usually enough for the audience to accept the legitimacy of the case; test out your audience.

From how many different people do you need to hear it? (Or is there an overarching authority who would be completely convincing from an audience perspective?). How many different quotes for a piece of work before price is believable? How many different books would need to collaborate the information (any authors, credentials of authors). How many similar opinions?

When presenting financial results, one of the key convincers of an audience is consistency. Consistency of results between reporting periods, between accounting bases and for different purposes [value vs profit vs capital]. Credibility is a key convincer - getting the story right on a consistent basis.

3.3.3 Communicate in the ‘language’ or ‘terminology’ the audience use

One danger when we continuously use acronyms or technical language specific to our occupation or industry is that many of us get so used to using these that we don’t even realise that they have become part of our language. And that means that we may communicate to other people with these terms, without even realising that we are obfuscating or confusing.

Actuarial and accounting language is laced with acronyms and terms such as IBNR, RBNA, VSA, CAL, untraced, DAC, FCR, AA, IER, WACC etc. Every time I think about this I recall yet more acronyms (just this instance I thought of OCR, MCV, MCT and BEL....). This is clearly a sign of TMA (too many acronyms)! The message here in terms of good communication is – be aware of the language being (mis-) used and as much as possible do not use technical terms or acronyms. If avoidance is impossible then explain with examples that the audience would relate to.

Failing to communicate in the language accessible to your audience means failing to communicate.

3.3.4 Establishing purpose of communication

The main purposes for business presentations are

- To inform
- To persuade
- To elicit the audience to act (motivate/inspire)

Once you have the purpose of your presentation in mind, some things to consider to support your purpose are

- Make the purpose clear to your audience; outline the aim of the communication and the outcome you are seeking.
- Don’t clutter your presentation with information that doesn’t support your purpose

3.4 Developing the solution – content and structure

While getting inside the head of the audience and really understanding their perspective is critical, the developing and implementation of an appropriate solution that meets their needs is

every bit as important. Therefore, this section looks at how to structure the communication, what are the key skills required.

3.4.1 Match the message to the audience

“If you have only one choice in responding, you are a robot. If you have two choices you have a dilemma. If you have three choices you have flexibility” Genie Laborde

Different audiences require different delivery of the same message. This follows on from section 3.3. – once we have gained an understanding of the audience, the challenge is to develop the material that matches their preferences and the purpose of the communication. To gain an understanding of the audience we need to really put ourselves in their shoes, and seeing through their eyes consider how to best communicate the message. Appendix 2 provides a checklist of questions to help target the communication to the audience.

3.4.2 Be congruent – content, voice and body.

“The most important thing in communication is to hear what isn’t being said” Peter Drucker

There is a well-quoted piece of research that came to the conclusion that 93% of any message is conveyed through voice tone or body language and only 7% through the content - **the way a message is communicated can have an enormous impact on how the audience perceive it.** The research was actually carried out in the context of when the voice tone or the body language was not congruent with the words. The main conclusion was that when your body language or tone of your voice is inconsistent with the content, then the audience quickly pick up on lack of congruency, and would be far more likely to ‘believe’ the body language. The subject of use of voice and body language is a huge subject, and for the purposes of this paper won’t be considered further.

“When individuals are congruent – when other people believe them, trust them, recognise their authenticity – they are powerful people whatever their role in life” Genie Laborde

3.4.3 KISS (keep it short & simple)

One test for what level of content to include in a communication is the ‘must know’/‘should know’/‘nice to know’ test. **To get the message across simply and compellingly, keep the communication to the must know**, (particularly for the global thinkers).. The ‘should know’ information can then be included if the discussion or questioning lead towards this. A useful rule of thumb is to communicate message at one – two levels above level at which analysis is carried out, and keep the additional layers of analysis ready to answer questions. For very material items, more written detail may sometimes be warranted.

3.4.4 Have a clear structure

The structure of the presentation or communication needs to be aligned with the purpose. If the purpose is to persuade, then the structure needs to have a recommendation, with points supporting the recommendation through the communication. A former colleague of mine once told me that when asked for an opinion, provide the three most compelling pieces of information that are credible and that the audience would buy into. Another approach for a persuasive speech is to give the pros and cons of various alternatives so that the communication is seen as objective, and then summarise why one particular alternative is most appropriate.

For informative communications, the structure should be aligned with the material. If the communication is on solutions to asset liability risks, then the presentation could be structured as:

- asset solutions
- liability solutions
- capital solutions
- risk transfer solutions

And within each of these areas it may be structured along lines of:

- regulatory background
- market constraints
- available options
- impact of options on profit/value/capital
- recommendation

Other structures that can be useful include past/present/future, geographic steps in a process, comparison and contrast (eg product designs) or Top down structure. Top down would begin with concept, then principles, and the move into details..

3.4.5 Respect your audience

If the audience is being respected, they are far more likely to listen to, and consider the material presented. People like to be:

- heard or listened to
- validated
- recognised
- informed
- involved
- acknowledged, to have their own words used

3.4.6 Make the presentation memorable

In Michael Gelb's 1996 book 'Thinking for a change', he sets out key areas for making a presentation memorable, and for having the maximum impact. The acronym he uses to describe this PROPAR, which stands for

Primacy – people remember the first thing communicated

Repetition – repetition helps convince and aids memory

Outstandingness – using quotes, jokes or anecdotes makes speech more memorable

Personal

Association – anecdotes, analogies or stories that relate to a person's experiences helps enormously in getting buy-in to a presentation

Recency – people remember the last thing that is communicated.

3.4.7 Show conviction in what you are saying

When developing and delivering a presentation, the audience will be far more assured by a presenter who they perceive as authentic, passionate and confident. A presenter is far more believable when they are congruent between the content of the presentation, their body language and voice.

“Forget all the conventional rules but one. There is one golden rule: stick to topics you deeply care about and do not keep your passion buttoned inside your vest. An audience’s biggest turn on is the speakers’ obvious enthusiasm. If you are lukewarm about the issue, forget it!”

Tom Peters

3.5 Monitoring Feedback

In a presentation sense, gaining and utilising feedback works on the same principles as a guided missile. A guided missile works off feedback, and keeps self correcting. When the feedback indicates that the presentation is slightly off target, you can adjust as you go along. This may include paraphrasing what the other person has said and linking it back to the context, to seek clarity and agreement. If the feedback indicates that the presentation has ‘gone in the wrong direction’, then it is important to loop through the communication control cycle again. This means re-establishing audience needs and identifying the gaps in your presentation. It means re-considering a communication solution given the new information you have. This section identifies some key principles in monitoring and acting on feedback:

3.5.1 Feedback is the breakfast of champions

In Nick Owen’s 2001 book ‘The Magic of Metaphor’, he recounts a radio interview with Boris Becker, where Boris was asked whether he had always been a champion. It turned out that he was not in the top echelon when he was a junior and used to practise against the top females. However, none of the other players, who were naturally more talented or gifted than Boris made it. Boris was asked why, and his response is very instructive. He said that, for him, there were three things that you needed to succeed; (1) You have to want it enough; (2) You have to be disciplined, be prepared to make sacrifices; (3) *“You need humility to listen to your coaches, to take advice, to test new possibilities, and to admit you don’t know everything. Feedback is the breakfast of champions.”* The third point is equally valid in the situation where you are presenting to an audience, and seeking feedback or approval for a proposal.

3.5.2 Seek first to understand then to be understood

What is it that hasn’t been understood or appreciated by the audience, and how can you make the message clearer or better understood?

Steven Covey, in the 1989 “Seven Habits of Highly Effective People,” outlines the importance of really understanding the other person’s perspective. He observes *“Communication is the most important skill in life. We spend most of our waking hours communicating. But consider this: you’ve spent years learning how to read and write, years learning how to speak. But what about listening? What training or education have you had that enables you to listen so that you really deeply understand another human being from that individual’s own frame of reference.”* The importance of this in the context of “monitoring feedback” (ie the purpose of this section) is really getting behind what is driving any feedback. In particular, what is driving any unfavourable or concerned feedback...

3.5.3 The meaning of a communication is the response it receives

If a communication is received poorly, how did you, the communicator, contribute? There is a famous incident between the television host Bert Newton and his guest, Mohammed Ali, on the Logies. Bert and Ali were swapping wisecracks, and at one particular amusing moment, Bert looked at the audience and proclaimed “I like the Boy.” He had no inkling how insulting that was to Mohammed Ali, until Ali focused those cold, dark eyes on him. A buzz went through the audience, and Bert suddenly realised, from the response he received, that something was awry. If you get that kind of response the think about what or how you have communicated and what it means to the audience; then respond.

3.5.4 Gathering feedback.

In any communication, the ability to gather and interpret information is essential. If the audience is starting to fidget, or frown, or look at their watches, that is useful information. If eyes start to glaze, or person is looking out the window thoughtfully, what does that tell you? So the first specific information gathering is from how the person is responding non-verbally to the communication. The second information gathering is asking specific questions to see where the audience is going with their thinking, what have they picked up, and what are they still not clear on or convinced about. Appendix 3 and appendix 4 provide checklists for getting feedback from the audience.

Summary:

- The process of communication is made up of three basic steps: (1) Understand the audience and clarify the purpose; (2) Develop a communication solution and (3) Monitor feedback.
- Understanding the audience means “walking a mile in their shoes”. It means understanding how they process information, the language they use, what motivates them and what convinces them.
- Developing the solution means pitching the presentation at “the right level” and delivering content in a structured manner, in a congruent way. Clarity, simplicity and respect are the ‘three sisters’ of engaging the audience with the content.
- Monitoring and responding to feedback is like a guided missile system. The monitoring of the feedback allows the missile to stay on track; use feedback to guide your presentations.
- While there are a number of general rules such as KISS, one of the key challenges in communication is that each person is unique, and the most powerful communication will need to allow for individual differences.
- We may already have many of these communication skills but were not aware of them. By consciously thinking about the communication process, we can improve our communication repertoire and flexibility.

4. Communication Challenge – Actuarial Context

To date we have reviewed the perception of actuaries as communicators, and reviewed the key attributes of great communicators, using the communications control cycle. This section now pieces the two together to consider where perhaps the gaps lie in the actuarial capabilities.

Before we begin the review, let's see how Stan and Roger are progressing.

After the discussion with Stan, Roger calls in the DAFT CFO, Pree Madonna (PM), and the Daft head of the People function, Helen Reese (HR).

RR: Pree, Helen, I just had a fireside chat with our Chief Actuary (vein pops out of Roger's neck). WHAT DRUGS IS HE ON? Who put his tapes in backwards? I want answers and I want them now!

CFO: Roger, Stan is an Actuary. In fact a very good actuary. And like ALL actuaries he comes from a technical perspective and does from time to time have difficulty getting his point across in a clear and understandable manner...

RR: (Vein popping out of his forehead) DIFFICULTY? Difficulty? Stan couldn't explain his way out of a paper bag. That man would be more understandable if we bound him, gagged him and threw him in the company swimming pool... then asked him to do his presentation while he was under water!

HR: Roger, that would be against company policy. We would have to ask for his permission first.

RR: Well as long as we only need to ask for it.....Seriously, how can I rely on the judgement of someone when I cannot comprehend what they are saying. This is a serious liability! How does the rest of the executive team cope?

PM: To a degree we have accepted the recommendations from the actuarial department and worked those into the broader business plans. From time to time we send in one of the best finance guys to interpret...to de-complexify the message.

HR: We carried out an informal survey amongst senior management, and there was an appreciation that the actuaries have to explain some very complex ideas...

RR: (cutting off Helen) Well, they need to un-complicate it if they are going to survive in this organisation!

HR: Roger, let me talk to Stan and I'll explain your position. I am sure he will respond positively.

RR: Good – make sure you do that!

So Helen arranges a meeting with Stan...

HR: Stan, how did your meeting with Roger go?

SS: (looking at his shoes) Oh, fine.

HR: Really?

SS: Well, I said everything I wanted to say. Roger was a little touchy, which is understandable given his lack of detailed knowledge in the financial nuances of the company.

HR: Oh. In what way was he touchy?

SS: Oh, you know, the normal CEO rant about simplify simplify, when they just don't understand or want to understand the complexities of the business. Honestly, you give him a Picasso, and he tells you he wants a picture drawn by a kindergarten child. You know my motto Helen – "Tell it like it is." Give them what they should know, even if it isn't exactly what they asked for.

HR: Hmm. Stan, while I can see where you're coming from, you are going to need to meet Roger at a point where he can follow. Follow? The challenge I would put back to you is how do you tell it like it is, give him what he needs, and do it in a language or format whereby he can grasp the importance, take hold of the subtleties, hang on to the implications?

SS: (light bulb goes on, eyes light up). Ooh, that is a challenge. I haven't quite thought of it in that light before....Alright, I'll put my thinking cap on for my next session with Roger.

HR: Great Stan!

What are the factors that contribute to the perception of actuaries as poor communicators, and how real is this perception? The following section was developed based on discussions with numerous actuaries about where they see the problem lying.

4.1 Complexity

The most widely used explanation for the perception of actuaries as "less than great" communicators, is the complexity of the subject matter, which can be broad and extremely technical in nature. A few little conundrums that have popped up in my time include, (mainly borrowed from life insurance)

- Explaining why a small change in net premium could have such a large impact on actuarial liabilities.
- Reinvestment risk for a participating Life Fund
- The concept of a negative policy liability
- The impact of duration and credit mismatch on asset liability risk
- How demand for capital can grow faster than profit emergence.

Many of you may read this without skipping a heartbeat. Perhaps you're thinking "Yeah, these aren't that complex – I've got some real rippers". There are no doubt thousands of examples of really tough, complex concepts that we as actuaries find ourselves with the task of explaining.

While it is true that these are complex concepts, the challenge remains open to us as professionals to develop language skills, analogies, stories, and examples that simplify each of the dilemmas we have, in a way that the audience can truly understand. Using Jim Peglar's observations that this paper begins with, **the true mark of a professional is being able to throw away the language of the profession, and explain concepts in simple terms.**

Controversial statement:

If we are to be truly professional, we can't hide behind "complex subject matter" as a rationale, and we do need to "walk in the footsteps of simplicity".

I recently attended a meeting with an Operations Manager on the issue of anti selection in a product portfolio. He was asked whether excluding certain types of claims would be effective, or just push claims into allowable claim definitions. He responded "Locks are to keep honest people out". The eyes of the whole meeting lit up, because of the simplicity of his analogy and the clarity it added. Walk in the Footsteps of Simplicity.

4.2 Pre-disposition of members

Are there any discernible patterns or traits in people who join the actuarial profession that would be related to communication skills? Numerate? Mathematicians? Ambitious? Status oriented?

4.2.1 Actuarial Learning Styles

John Shepherd has researched actuarial learning styles, based on 'Kolb's Learning Styles Inventory'. Kolb's learning style theory proposes that a particular learner may have a preference for certain learning styles. This preference will depend on the stage of a person's career, educational background, or even current job and may change over time. The four learning styles proposed by Kolb can be briefly described as follows:

Divergers - have strong imaginative ability & awareness of meaning and values.
- are interested in people and are attentive to interpersonal issues.

Convergers - have strong problem solving and decision making ability.
- prefer to deal with technical tasks and problems rather than social and interpersonal issues.

Assimilators - have strong ability in constructing theoretical models that combine disparate information into an integrated explanation.
- are less focussed on application of models than convergers, and are often suited to research.

Accommodators – have a strong ability to solve problems intuitively
- are practical, enjoy getting things done and are adaptable to change.

John's 2003 paper, "Actuaries: A Narrow Profession?" makes a number of important points in relation to Actuarial, education and learning styles:

- The Australian actuarial profession is quite narrow in its focus, in terms of preferred learning styles, as set out in the following table:

Type of member	# members	Convergers	Assimilators	Divergers	Accommodators
Fellow	274	48%	36%	6%	10%
Associate	69	60%	29%	4%	7%
Student	68	47%	38%	10%	5%
ALL	412	50%	35%	7%	8%

- Maturity in learning is characterised by the integration of different learning styles

- The link between concrete experience and personal interaction skills is strong. *Across all categories of membership, Actuaris has a major preference for the learning styles that least require interaction (convergers, assimilators), and is largely absent in learning styles most based on personal interaction skills (divergers, accomodators).*

4.2.2 Member Survey

The member Survey in Actuary Australia June 2003, highlighted as the top 5 reasons for why members became actuaries as

1.	Good at maths	5.1
2.	Career opportunity	4.8
3.	Intellectual challenge	4.8
4,	Money	4.4
5.	Prestige	3.3

The number one reason, good at maths, would appear to be the reason that most distinguishes people entering the actuarial profession from people entering other professions. An interesting aspect of the survey is that none of these options focus on interacting with other people.

Controversial statement: Some people enter medicine or law out of a desire to help or deal with other people. How many people become actuaries out of a desire to ensure fair and equitable treatment of members in a super plan, or policyholders in a participating life fund – how many budding actuaries have an understanding of these things when they join the profession? Not many, if you accept the survey results. Put simply, **the actuarial profession, by its very nature, does not attract people who have a primary desire of communicating with others.**

Putting together the Learning styles and member survey results, the pre-disposition of members is critical in understanding the actuarial communication capability.

4.3 *Desire to communicate clearly*

If there is not the desire to communicate clearly, to step into your audiences' perspective, then it follows that your communication is less likely to be clear.

Some observations from actuaries whom I discussed this with include:

- Traditionally, the majority of actuaries haven't had to communicate clearly because they have had a position of authority in the industries in which they work, or the traditional nature of their work has not required it.
- You cannot force people to communicate – it must come from them.
- There was an example cited of an actuary who was a particularly poor communicator and prided himself on understanding concepts that other people couldn't. Therefore it was not in his interests to explain clearly, and spread the understanding.
- Because the actuarial career path is typically building up technical skills until qualification as a fellow, many actuarial students [who consequently become actuaries] are comfortable with the communication style they have developed over this technical training period. Over this period of time they are often largely communicating with other actuaries.
- Many actuaries don't perceive a need to improve their communication, and would prefer to spend professional development time on technical areas.
- People with a technical background often think the job is done when the technical part is completed, and often don't leave adequate time to prepare the communication.

Controversial question: is there a part of many of us that have sweated so hard in our studies, that we take a certain pride in the technical expertise and associated language?

Conclusion: These observations would suggest that many actuaries don't see the need nor have the desire to communicate clearly. The last time that the IAAust advertised a Presentations Program, only three people enrolled. Food for thought.

4.4 Education

The actuarial education system has been the subject of considerable review in recent times. Many of the changes occurring, in Australia and abroad, are around improving actuarial competencies in business acumen and communications. The IoA have included a communications subject which focuses on the simple, de-jargonising message. BUT it has been very controversial because pass rates have been very low and it has been seen by some as a discourager for 'potentially good actuaries'. The IAAust is planning to increase focus on communication through the new Part III course, with the inclusion of a communications session in the Commercial Actuarial Practice module.

Controversial view: As a profession, we have not yet been prepared to fully and adequately develop communication skills through a strong education focus. We have been reluctant to act, and we keep going back to our essence of technical is good and communication can follow. Is a doctor who cannot communicate with patients a good doctor, is a lawyer who can't explain their case to a jury a good lawyer? Is an actuary who can't explain the technical nuances of their role in language the audience can understand a good actuary? **It is essential that the actuarial education system adequately addresses communication.**

4.5 Grandma test: KISS (keep it short & simple)

As set out in section 2, actuaries are often criticised for over complicating the message, for including information that while important to them is not necessarily important or useful to the audience in reaching a decision. An actuarial colleague recently joked that we should include in our final report the 16 Spreadsheets that we had used for analysis to show people how much work was done! Whilst this was said in jest, it does make an interesting observation about the actuarial dilemma. The level of detail, which we need to go into to complete a piece of work, can and often should be very different to the level at which we communicate it.

Another colleague enjoys the cut and thrust of a technically challenging discussion with a fellow actuary. AND while this helps him to articulate his thoughts, he does so within an actuarial context. When he uses his explanations to a broader audience, these are often seen as being too complex. Part of the challenge of KISS, is that what from an actuarial perspective may seem simple, can seem very complex to someone who doesn't have the same technical background. KISS from the audience perspective!

The only conclusion I can draw from these anecdotes is that being able to simplify a message to the differing audience an actuary deals with is a key challenge, and an area where actuaries, in general, can do better. We can do better by developing stories and anecdotes to better explain complex concepts in simple terminology.

4.6 Degree of specialisation

“The unfortunate fact for those of us who love mathematics is that the equivalent of learning the alphabet lasts much longer in maths than in any other subject” – Dr Helen Joyce

As the actuary moves through their studies and their career develops, they may develop skills in specialist areas. Specialisation has its blessings AND its curses. To become a highly competent specialist can take many years of study and practise. The challenge for any specialist is to be able to generalise their knowledge or understanding to apply it in different contexts. As the specialist goes further and further down a specific path or track, there is a risk that ‘tunnel vision’ can develop.

The IAAust has attempted to address the challenges of specialisation with the introduction of the control cycle subject in Part II of the education program. Importantly, the new business acumen subject in Part II (module IV) will support this further. From an IAAust perspective, the conclusion I would reach is that the profession has made some encouraging progress in coming to terms with this.

4.7 Black/White nature of subject

The more subjective, the more there is a continuum of values, the harder it may be to communicate, particularly to audiences expecting black/white responses.

Looking through the eyes of an actuary, I have often been frustrated that the risks, volatility and uncertainty of particular financials are over-simplified and presented without the audience really appreciating the potential variability.

AND looking through the eyes of a director or receiver of information, I want presenters to stand by their work, with few qualifications and give me some comfort. Both views are valid but can lead to a conflict of objectives or perceptions.

Depending on the audience, and the situation, lack of certainty on behalf of the presenter may create a perception in the eyes of the audience that the person is not confident or competent in their field. This is particularly so if the audience is expecting a ‘black and white’ recommendation. The issue in dealing with a black/white context is how to appropriately highlight the real range of uncertainty in a particular proposal or result, without reducing the credibility of the presentation. A key criticism of the Morris Enquiry into the actuarial profession in the UK includes “those involved have tended to avoid or resist clear presentation of unavoidable risks and uncertainties that accompany most long-term projections” Conclusion: this is a major challenge for actuaries.

4.8 Language specific to the profession

Many professions have language or acronyms created to explain their own particular nuances or methodologies. People outside of the profession may not readily understand many of these terms. Members of the profession are so used to using these terms and so comfortable in their own mind, that they assume the audience is already familiar, or may not even realise that they are using terms that are not familiar to the audience. Some examples that come to mind for actuaries: Appraisal value, long tail distribution, homogeneous, margin analysis, valuation, life time community rating, accruals, FCR, NBI, DAC, WACC, vested benefits, Beta, Variance, PV, AASB1038, stochastic modelling, asymmetric risks.

Controversial view: **As a profession we can do much better at de-jargonising our communications, by simply stepping back for a few seconds to reflect on how we can pitch the language to the audience.**

4.9 Definition of actuary

Another actuarial joke – the actuary drops her son off at school, on her way to work. It is the first time she’s taken him to his classroom, and as she is about to leave, the teacher pulls her aside – “Your son tells me you are an exotic dancer?”. When mum gets home she asks her son why he would tell the teacher that – the son shrugs his shoulders and says, “try explaining what an actuary does!”

The harder it is for audience to understand what a profession does, the more difficult it is to be comfortable with the subject matter. How does this place actuaries relative to other professions?

People know that doctors deal with patients’ health, engineers with buildings and structural designs, chiropractors with fixing bones. But if you ask the average person what an actuary does, you may get eyes glazing over and heads spinning. Answers on what is an actuary will range from beekeepers to mathematicians to statisticians or just “Dunno. What is it?”.

A clear and succinct definition would help enormously. At present there are a variety of definitions. Chris Daykin, in his 1994 IoA Presidential address offers: ‘An Actuary is someone who is qualified to evaluate the risks and probabilities and their financial consequences and applies those skills in the solution of Business and social problems particularly those involving future uncertainties’. Does this definition pass the ‘french fries’ test - easily digestible, relatively straightforward and pleasantly memorable?

The IoA use the tag line ‘Actuaries make financial sense of the future’. This is closer to passing the French fries test as it is easy to understand, but does it capture the essence of the profession?

The SoA use “The application of experience analysis and risk evaluation to measure, communicate and respond to the current financial implications of future contingent events”.

At a recent IAAust convention, one suggestion put forward as a tag line was “financial risk manager”. This has the advantage of simplicity and being readily comprehensible to the masses, but may not be broad enough.

In the 1999 Futurism Committee paper on ‘Valuation of National Resources’ the tag line of “Actuaries see the forest and the trees” was put forward. This highlights that actuaries have both systemic and technical skills. {Disclaimer – the author was a member of the Futurism Committee at the time}. However, this does not capture the nature of actuarial work.

Conclusion: There is clearly much to do for the profession to improve the understanding and “unprompted brand awareness” of the actuary. Having a clear compelling definition of an actuary, consistent across different actuarial bodies, is an important first step. Consistently using and promoting this brand is the obvious next step.

4.10 Conclusions:

- The complexity & subjectivity of actuarial material contributes significantly to the widely held perception of actuaries as poor communicators. And if we are to be truly professional we can't hide behind "complex subject matter" as a rationale. We must "walk in the footsteps of simplicity".
- The actuarial profession in Australia does not on the whole attract people who have a primary desire to communicate. In the large majority of members who took part in the Kolbs Learning Styles research, learnings styles based on personal interaction and practical problem solving were virtually non-existent.
- There does not appear to be awareness by many actuaries of the need to communicate clearly and simply. While there are numerous reasons for this, the profession needs to increase the awareness of the importance of communication across its membership.
- The language of the actuarial profession is steeped in acronyms and complex terminology. This increases the difficulty in creating a simple, compelling communication. We need to be able to use analogies and stories consistent with the audience's experience to break down the language barrier
- The term actuary is not well understood outside of the actuarial profession. Many different definitions are used in different parts of the world. For the actuarial community to shake the perception of poor communicator, it needs first to communicate to the broader public what an actuary is.

Areas requiring greatest focus:

The following are all areas that were identified in the perception section of this paper as areas where the actuarial profession is perceived as lacking, and where the research done in this paper would support these findings. In the interest of provoking a healthy discussion, I've attached my personal ratings as to their relative importance:

AREA	Issue scale - actuaries	Issue scale – other professions
Language or terminology of the audience	5	3
KISS (keep it short and simple)	5	3
Seek first to understand then to be understood	4	3
WIIFM	3	3
Tailoring the communication to the audience	4	3
Respect your audience	2	3

The next section looks at what is being done to address the communication challenge.

5. Current state of play

The subject of communication is clearly being tossed around the hallowed halls of actuarial societies in UK, US and Australia. This section summarises the current proposals being considered or implemented in each of these Institutes.

As we begin this section lets see how Actuarius, a.k.a. Stan is progressing.

RR: (Peering like a vulture at a carcass) Okay Stan, hop into it.

SS: Roger, you came from a manufacturing background, as I understand?

RR: Yes?

SS: Were you involved with the purchase of any of factories?

RR: Yup. Stan, can we start now? Time is short.

SS: Okay. To explain DAC, let's use an example of those factories you bought. Did you record the expense of the factory against profit in the year it was bought?

RR: No, of course not. The factory is an asset. Overtime it may depreciate at which time the depreciation is taken through as an expense.

SS: Right. And while the factory may have led to negative cashflow in the year that it was bought it was an asset that supported the business (Roger nod vigorously). And once that factory was up and running, the company would have earned revenues from it to repay the initial cost and provide the shareholder a profit margin.

RR: Well, why else would you buy the factory?

SS: Well in exactly the same way, when we sell a new policy, we often have negative cashflow in the first year, by the time we pay the distributor and set the policy up on the system. However, like the factory gave you future revenues, the policy provides us with future revenues. While the revenues from your manufacturing company helped to pay for the factory as well as paying you a profit margin, the future premiums we get from these policies help to repay the initial cost and provide the shareholder with a profit margin.

RR: So therefore we should be able to set up an asset on sale of the policy in the same way the factory is treated as an asset?

SS: Yes. And that asset is called DAC, which stands for deferred acquisition cost. The amount expensed each year in the same way as the factory, is the amount of amortization on the asset.

RR: But the factory has a resale value. If I shut it down, I still get something for the land and building? If a policy goes off the books, we get nothing back!

SS: Agreed. So there are a number of rules put in place to test if across a large pool of policies, there is enough future expected revenues to recover these costs. Would you like more discussion on these?

RR: No. I have the general gist. Great. Stan, thank you. I mean that. Good job.

5.1 UK

The topic of communication has certainly received attention in the UK in recent years, with Peter Clark's 2000 presidential address based on this theme.

Some specific actions that have occurred include:

- The IoA vision statement describes the vision of actuaries as “good communicators who can explain actuarial methodology and conclusions to others and contribute both technically and managerially to multi-disciplinary teams”
- A communication subject has been included in the IoA examination system
 - This was introduced around 1999
 - The jury is still out; poor pass rates in the subject are concerning and are perceived to be making it harder to qualify
 - This subject represents a real commitment to improve communication skills of IoA actuaries.

5.2 US

Given the findings of the 2001 Report on Market Opportunities, it is not surprising that the US has taken this extremely seriously. As discussed throughout this paper the SoA view the poor perception of actuaries in the fields of communication and business acumen as a key strategic threat.

The report identified that the skills the market desires are:

- Business Communication - succinct, persuasive, clear communications
- Business Acumen - grasp the whole of a problem and develop creative, implementable solutions

The report recommended the following changes to the strategic plan to support the development of the skills of communication and business acumen:

- Align the education and qualification requirements to more closely match the marketplace's desires, ie developing business communication and acumen
- Change the perception of actuaries as ‘one-dimensional insurance-sector professionals’ by imparting the creative business savvy skill set to all members and students through targeted innovations in continuing education, and educate employers and prospective employers about actions taken to equip all actuaries with these competencies
- Create a new credential which develops skill sets desired by the broader financial services market, which includes skill of business savvy, “the SoA should offer a new credential, a kind of hybrid of an ASA and MBA and a CFA ... this approach will do more in a shorter time than anything else to significantly change the market's perception of actuaries, who they are, and what they can do”.










5.3 Australia

The 2001 Strategic Plan highlighted that - “ the modelling and forecasting processes that are second nature to actuaries need to be translated and presented to other professionals and business leaders in plain language”. Actions to address this include:

- ensure an “appropriate” degree of business and communication skills are incorporated into actuarial education
- provide CPD to practising actuaries to maintain and enhance their communication skills
- compare skills and training of FIAA to other professions

Control Cycle

- focus on general actuarial process across different practice areas
 - more focus on communication
 - helps develop ability to apply actuarial skills in new contexts
- Proposed Part III Education Strategy
 - The findings of the Part III review concluded that there should be implicit practice of communication skills throughout the education process including using tutorials for doing presentations and practicing communication

		<i>Aus</i>	<i>UK</i>	<i>US</i>
<i>Communication</i>	<i>Education</i>			
	<i>Support Existing members</i>			
	<i>Change perception</i>			

- Explicit unit on business acumen to be added to Part III
- Requirement for partaking in a communication course offered by an ‘approved provider’
- Conclusion – Australian perspective:

- Australia has recognised challenges early and has moved in direction of improving communication skills and business skills of its members.
- Australia is relatively well placed in focusing on wider fields and encouraging / supporting the broadening of the client base of the profession. HOWEVER,
- Unless we can improve perception of actuaries as communicators, we will struggle to turn our early efforts into a real capturing of territory in these new fields.
- Australia still has a considerable way to go, and there is much to be done in improving the skills and perception of actuaries as communicators.

6. Possible further actions

There are various actions that the IAAust has undertaken to improve communication skills of its membership; - any initiatives or requirements will only be successful if they are embraced by members, and supported by employers. This section focuses on initiatives that members and employers of actuaries can undertake, as well as areas for the IAAust to consider.

6.1 *Individuals*

While much of this paper has focused on what the major actuarial bodies have done or can do to improve the skills and perception of actuaries as communicators, the question about what employers of actuaries and individual actuaries can also do. This section briefly outlines some options available.

- Practice presenting in a non-threatening environment
 - do business presentations to your own team or actuarial peers
 - join a public speaking organisation like Rostrum or Toastmasters
 - Volunteer to present at a Horizon meeting!
- Include business and communication skills as part of your work development plan
- Take formal courses on communication
- Take the challenge - new audiences ...one step at a time
- Ask for feedback each time you present to a group or write a report
- Work outside of actuarial silos
- Read books or join a group on communication – there are literally hundreds of books on different types of communication, ie verbal, written, business context etc,
- Begin a collection of your own presentations and anecdotes .[locks keep out honest people]

6.2 *Employers of Actuaries*

Some of the steps employers can take include:

- Provide training on business communication (either internal or outsourced)
- Build into annual objectives/development plan of actuarial professionals the requirement to do presentations and / or attend communication courses.
- Consistently providing feedback and measuring the communication against the grandma test. If the grandma test is failed then make that clear to the person!
- Encourage staff to present an actuarial topic to a non-actuarial audience (in a low risk environment)

6.3 *Institute of Actuaries*

While current progress has been positive, is it enough? Some areas that may merit further consideration for IAAust involvement include:

- Complete the implementation of current education initiatives.
- Further encourage ongoing communication skills development through CPD
- Further support communication related courses, over and above the new 'Business Acumen' education module.
- Set up a committee devoted to improving the perception of actuaries as communicators including a series of programs, research or initiatives to support this. Research may include quantifying many of the observations put forward in this paper, or reviewing in greater detail the approach taken by other professional bodies to enhancing member communication capacity.
- Include a significant section in the IAAust Strategic Plan to deal with communication. At the very least, this will raise member awareness
- At the July 2004 Melbourne Horizons meeting, the IAAust President, Graham Rogers, raised the consideration of an 'Actuarial Communication Centre' being run in conjunction with a University. There may be merits in such a centre.

7. Conclusion

- Declining number of traditional actuarial roles coupled with a growing membership means that the profession and its membership will have to look to new disciplines. **The ability of actuaries to persuade, and to communicate well with the stakeholders in any new discipline will be a driving force in the success of the actuarial profession in moving into broader fields in the coming years.**
- While some actuaries are strong communicators, there is a universal perception that actuaries are poor communicators. This perception is so pervasive and so strong that the SoA perceives this as one of the key strategic risks to the U.S profession.
- Communication is a process. There is a communication control cycle (section 3) that identifies major steps in creating excellent communication. To improve the actuarial capability in terms of communication means considering what aspects of the communication control cycle are not well understood or carried out by actuaries.
- There are areas that actuaries can certainly improve on in terms of communication (alongside many other professions). Some of the contributing factors to actuarial gaps in communication competencies that are highlighted in this paper are:
 - Inability to simplify the explanations of actuarial subject matter
 - Learning styles of all classes of membership are highly geared toward modeling and technical problem solving. There were less than 15% of members surveyed in John Shepherd's research with preferred learning styles geared towards more interpersonal interaction.
 - Actuarial education has not placed significant emphasis or focus on communication. This is beginning to change, though much more can be done.
 - Actuarial language, so very rich in acronyms, creates a barrier to understanding with the outside world.
 - Very few people have an understanding of what an actuary is or does. With differing actuarial professions having differing definitions of an actuary there is no clarity from within the profession. This must be resolved before we can progress
- Communication is often seen as a 'nice to have', a soft skill. AND it may be a key differentiator in the ability of any profession to adapt to a changing environment.
- As a profession we need to take up the communication challenge more proactively and develop strong communication skills across the membership. This is not just the responsibility of the IAAust but is also the responsibility of individuals and employers
- Communication – the eighth habit of highly effective actuaries.

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Appendix 1: Pertinent Questions:

The development of this paper, and focus on Australian situation included discussions with a multitude of different actuaries, centring on the following questions:

- Whose responsibility is it re developing communication skills - member, IA Aust, education system or employer?
- The IA Aust approach to perception appears to be 'upskill the membership and the perception will follow' - is this too passive?
- IA Aust current focus has been on peer review, CPD, revamping the education system, and establishing ourselves in wider fields. How important is communication relative to these initiatives - that is, where does communication rank as a priority, and does communication drive the success of any of these other initiatives?
- Has the profession in Australia already 'turned the corner'. Are control cycle students more adept at the communication and business acumen skills with a greater focus on these during control cycle and Part II education? There seemed to be a strong perception amongst the actuaries I discussed this with that in aggregate the new graduates and qualifiers are much stronger in these areas – is this fair?
- The 'legacy actuaries' - what can the profession do with them; put them in run-off, convert them or cancel them?
- What "other factors" contribute towards the actuary's perception as a poor communicator?

Appendix 2: Pre - Presentation Checklist:

You:

What is your required outcome?

How will you know when you have achieved it?

How are you communicating the potential risks, uncertainties and consequences of your advice?

Audience: Key questions to consider:

- Who will be attending?
- Who are the key decision-makers?
- What level of detail will they require?
- What is their level of knowledge on this topic?
- What are their major concerns? (E.g. profit, value, capital, compliance, resources)
- What are the questions they are likely to ask?
- Do you need to provide alternatives or straightforward recommendations? What are the pros and cons of different alternatives?
- WIIFM (What's in it for me?) – how will you keep their attention by letting them know what is in it for them?
- What are their key convincers?
- How can you relate the topic or issue back to their own experiences or needs?
- What do you want them to understand?
- What do you want them to feel?
- What do you want them to believe?
- What do you want them to do?
- What are the likely objections, and how might you overcome these?

Appendix 3: During - Presentation Checklist

Feedback on proposal / presentation:

Additional objections / concerns raised that have not been dealt with.

Seek commonality – can you get agreement on general principles? (E.g. 'Do we all agree that the purpose of this proposal is to improve the quality of information?')

Who has lost interest? Seek feedback from them after meeting.

Specific questions to ask if proposal is not being accepted positively:

- What else do you need to know to be able to accept this proposal?
- What other concerns are there?
- What or who could give you comfort in this proposal?
- What conditions are not being met?
- How specifically is this an issue (Get them to clarify until the issue either disappears or becomes very clear)

Agreements reached: (read back to meeting to show progress on some goals and to clarify what has been agreed to)

Actions: who, when, resources needed

Appendix 4: Post - Presentation Checklist:

What worked well:

What you can improve on for next presentation

Follow up participants – seek feedback from one - two participants on how they perceived the presentation, and any key risks or warning signals they picked up

Further information or resources required

Stakeholders to be managed (list them and what they need or want to know)

Send out minutes – list of actions and agreements, within three days of meeting; anyone need following up?

Observations on key players' different styles and roles in the meeting

What other resources do you need to ensure project goes ahead on schedule?