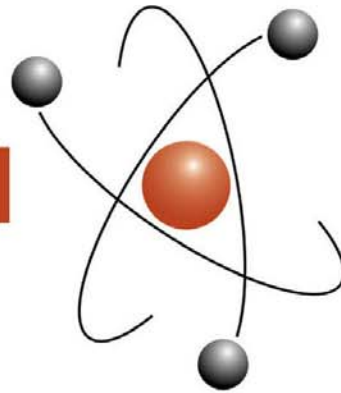


S U S T A I N



A B I L I T Y

ACTUARIES AND THE FUTURE

The Eighth Habit of Highly Effective Actuaries

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May 2005



Institute of Actuaries of Australia



Menu

- **Perception of Actuaries as communicators**
- Communication Control Cycle
- The Communication challenge - actuarial context
- What's being done: UK, U.S., AUS
- Provocative questions

Perception of Actuaries as Communicators - U.S.

- Comments from the 'Market Opportunities Research Report

“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 analyze situations, and to create common sense strategic solutions that are easily communicated to all target audiences.”



Perception of Actuaries as Communicators - U.S.

- Comments from the 'Market Opportunities Research Report

Traditional employers and broader financial service providers: “actuaries provide elegant solutions to quantitative problems.....and usually fail at translating these into either understandable presentations or practical solutions.....”



Perception of Actuaries as Communicators - Aust

John Trowbridge 1998 Presidential Address:

“..... 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’.”



Perception of Actuaries as Communicators - Aust

Comments from 1999 Stakeholder Research Private Health Insurance:

Actuaries perceived as “unable to express issues in ways understood by non-actuaries..... deficient communications delivery....tendency towards complexity for its own sake”



Perception of Actuaries as Communicators - JOKES.....

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



Consequences of perception

U.S

“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 credentials”



Consequences of perception

U.S

“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”



Summary of Perception

- the actuary continues to carry the cross of 'poor communicator'
- actuaries are often criticized as not focussing on the simple, the commercial and the practical
- actuaries are poorly regarded in their ability to see the big picture, to apply their specialist knowledge in broader business contexts and to appreciate the commercial or political realities of a situation
- the business environment has changed, and to survive in the new world, the actuary must change this perception



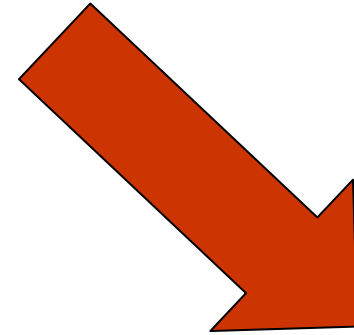
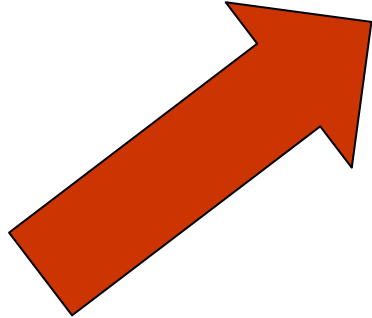
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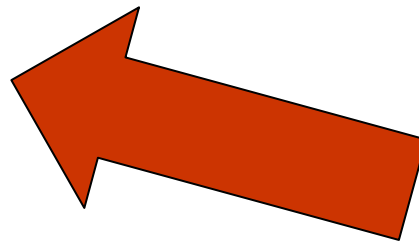


Communication Control Cycle

**Specify the communication need,
understand the audience**



**Monitor the audience
feedback**



**Solve communication
need, develop
content/structure
according to audience**



Principles of Communication

Understand the audience

Tailor communication to the audience communication style

- global vs specific,
- towards vs away from,
- emotional vs logical,
- matcher vs mismatcher,
- black white vs continuum,
- why v how v what etc etc



Principles of Communication

Understand the audience

- What's in it for me (WIIFM)
- Understand your audience 'convincers'
- Communicate in the 'language' or 'terminology' the audience use

Principles of Communication

Develop content and structure

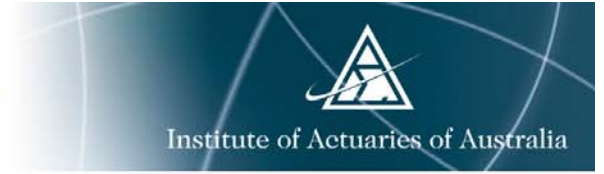
- Develop flexibility in communication; different audiences require different delivery of the same message
- We communicate through the message itself AND the way we send it, ie physiology, tonality
- KISS - grandma test
- Less is more
- Respect your audience!
- Make the presentation memorable
- Show connection in what you're saying



Principles of Communication

Monitoring feedback

- Communication is the response it receives
- Seek first to understand and then to be understood
- If it ain't working try something different
- Feedback is the breakfast of champions



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Communication in an actuarial context

- Factors that influence ability of a profession to communicate its field of expertise:
 - complexity of the subject matter
 - pre-disposition of the professionals who enter the field
 - desire to communicate clearly {knowledge is power....}
 - black / white nature of subject
 - breadth of audience



Communication in an actuarial context (cont)

- Factors that influence ability of a profession to communicate its field of expertise:
 - education support for communication
 - language specific to the profession
 - pride profession takes in its technical capabilities
 - understanding of what the profession does
 - relevance to grandma
 - degree of specialisation



Communication in an actuarial context (cont)

“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 IAA President

Some conclusions:

- Actuaries have to communicate very complex messages
 - in very simple terms
 - to a wide range of different audiences
 - with different levels of understanding
 - and different communication styles
- The profession has struggled to come to grips with this.....and we have made a rod for our own backs in many instances
- We can improve and move away from current perceptions towards being perceived as ‘good communicators’



Actuarial context - where do actuaries need to improve?

- KISS
- Language or terminology of the audience
- Seek first to understand then to be understood
- WIFM
- Tailoring the communication to the audience
- Respect your audience



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What's being done? - UK

- Vision statement of actuaries as “good communicators who can explain actuarial methodology and conclusions to others and contribute both technically and managerially to multi-disciplinary teams”
- Communication subject in examination system
 - jury is still out; poor pass rates making it harder to qualify
- Strong focus from immediate past president, Peter Clark



What's being done? - US.

Recommendations and findings from 2001 Report on Marketplace Interview

- Skills the markets desires:
 - Business Communication - succinct, persuasive, clear
 - Business Acumen - grasp the whole of a problem and develop creative, implementable solutions

What's being done? -

Recommendations and findings from 2001 Report on Marketplace Interview

- Recommended changes to strategic plan to cater for these skills:
 - 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 targeted innovations in continuing education, and educate employers about actions taken to develop these skills
 - create a new credential which develops skill set desired by the broader financial services market, which includes skill of business savvy

What's being done? - Australia

- Strategic Plan 2001 - “ the modeling 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

What's being done? - Australia

- 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
- Pioneering work - new fields
 - Genetics
 - Weather and energy derivatives
 - Natural resources valuation and review of systems to limit carbon emissions, control pollution etc
 - Estimate costs of urbanisation, urban sprawl etc

What's being done? - Australia

- Proposed Part III Education Strategy
 - should be implicit practice of communication skills throughout the education process including using tutorials for doing presentations etc
 - explicit unit on business acumen to be added to part III



Summary of Initiatives

		<i>Aus</i>	<i>UK</i>	<i>US</i>
<i>Business Acumen / breadth of profession</i>	<i>Education</i>			
	<i>Support Existing members</i>			
	<i>Change perception</i>			
<i>Communication</i>	<i>Education</i>			
	<i>Support Existing members</i>			
	<i>Change perception</i>			

What's being done? - Australia

Conclusion:

- Australia has recognised challenges early and has moved in direction of improving communication skills and business skills of its members.
- Australia is well placed relative to U.S. or UK, in focusing on wider fields and encouraging / supporting the broadening of the client base of the profession.
- 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 long way to go, and there is much to be done in improving the skills and perception of actuaries as communicators, to ensure a smooth transition of the profession as the market continues to change.
- The U.S. focus is now very strong; should we follow suit?



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Provocative Questions

- Who's responsibility is it re developing communication skills - member, IAAust, education system or employer?
- Aust approach to perception appears to be 'upskill the membership and the perception will follow' - is this too passive?
- IAAust current focus has been on peer review, CPD, changing our education system, wider fields; how important is communication relative to these initiatives (cart vs horse)?



Provocative Questions

- What else could the education system do to support building communication competency?
- What other factors contribute towards the actuary's perception as a poor communicator?
- Do actuaries place too much emphasis on detailed technical analysis and not enough emphasis on communication?



What can YOU do?

- Practice in a non-threatening environment
 - do a presentation to your own team
 - join a public speaking organisation
 - present to a Horizons meeting!
- Include business and communication skills on your 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
- Begin a collection of your own presentations, anecdotes etc....



A closing thought..

“ 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 IAA Presidential Address