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Introduction

“The two words ‘information’ and ‘communication’ are often used interchangeably, but they signify quite different things. Information is giving out; communication is getting through.”

--Sydney J. Harris, American Journalist.

As actuaries, we are experts in information – we process, structure and analyze information in great detail, using complex and advanced modelling techniques. But we also must be experts in communication. Throughout our careers, we frequently present and discuss actuarial findings with peers, superiors, and third parties. However, most of us have little training in the communication skills for engaging with senior executives. And unfortunately, it doesn’t matter how strong our technical skills are - if we can’t convey our message, others will not learn from our work.

Good communication makes the difference between confusion and clarity. Weak, or even average, communication can raise many questions or even lead to a collapse of confidence in the actuary. Effective communication skills are as essential to success as an actuary as are the technical competencies, and actuaries who can convey the results of their work clearly will likely advance more quickly through their careers.

To be good communicators, actuaries must develop the needed skills, which requires effort and practice. Some actuaries struggle with giving speeches to a large audience, others are intimidated by the intensity of a boardroom or a one-on-one with a CEO, and some feel uncomfortable at informal events such as at board or management dinners. But many successful actuaries have overcome these struggles, and you can too.

Actuaries looking to improve their communication skills can consult numerous publications and online resources, but some of the most effective learning comes from watching and listening to other actuaries. In this paper, we present our views on the most important aspects of successful communication for actuaries. We highlight key elements of successful communication, provide some practical advice, and go a little deeper into two especially challenging areas: presenting to boards and presenting bad news.

Key elements of great communication

The best communicators focus on a few key messages and use clear and simple language to present these messages. Especially when the subject matter is complex, it is important to focus on the few most important aspects and to minimize technical terminology. Many actuaries feel that they need to communicate all the details from a lengthy technical analysis, but the recipients often don’t want to hear all the details, nor do they want to wait long to hear the conclusion. Thus, good communicators will:

1. Know the key messages and focus on getting these across
2. Use plain and simple language

3. Get to the point quickly
4. Avoid showing off how smart they are
5. Understand what is important to the audience

Know the key messages and focus on getting these across

Avoid the tendency to communicate too much detail from the analysis. It is critical to decide on, at most, a handful of key messages. You may think there are many important findings, but invariably only a small number will matter to the audience.

For example, suppose your analysis reveals that a few main problem portfolios negatively impacted company profits. The first key message should state this clearly: “we fell short of plan by 10% predominantly driven by reserve deterioration in Workers Comp and increased numbers of Auto claims.” The next key messages would quickly explain the issues in a little more detail. For example, “we needed to increase the inflation assumption on large Workers Comp claims because of rising medical costs. On the Auto book the number of accidents has increased because many drivers are now getting distracted by their smartphones.”

This example may seem simplistic, but it aims to show how quickly an actuary can give a clear sense of the main source and nature of the problems. This will be appreciated by a senior audience and enables a more involved discussion to follow.

Some people find it challenging to focus like this and want to discuss longer lists of topics, but the best communicators will always find a way to package the information into just a handful of key messages. For example, in the event that a company's profits are impacted by problems from multiple classes of business, the key message should be just that: “we have many underperforming portfolios,” which suggests problems of a different nature, perhaps more systemic, than the specific problems in the first example above.

In trying to focus, some people think of these top messages as “headlines,” as newspaper headlines are great examples of how a lot of information can be conveyed in just a few words. Thinking of the messaging as an “elevator pitch” is another way to help condense the findings of an analysis into a small number of key messages and focus on what really matters.

Use plain and simple language

In the early stages of their careers, actuaries interact extensively with actuaries or other colleagues, such as underwriters, who are familiar with technical actuarial terms. However, at more senior levels the interactions are with people who may have little actuarial knowledge – those who come from a marketing background, for example. This is common for board directors, who will invariably be highly competent but often not technical.

So, actuaries need to adapt their communication style as they become more senior. This is important as members of the audience can quickly become uncomfortable if the actuary uses unfamiliar terms. This can result in “losing the audience.” The language that is common in the technical community is simply not viable for use with a board. For example, “on the basis of our selected link-ratio factors” is jargon, and would be better phrased as “based on patterns of how claims costs have increased in the past.”

Whilst this point may seem obvious, it is surprising how frequently technical terms are used in board presentations, which suggests this is a challenging area of communication technique for many actuaries.

Get to the point quickly

It is also important to get the major points across upfront. In today's digital world, most people have grown accustomed to fast and compact information flows. Senior executives in particular have learned to extract the most important points very quickly from the vast amount of information they are exposed to every day. They want

to hear the conclusions of an analysis at the beginning of the presentation and never want the presenter to walk steadily through assumptions and methodologies, gradually building to a conclusion. A non-actuarial audience is not interested in the technical steps in the analysis that led to the conclusion and does not want to be held in suspense for a big reveal. Indeed, some senior executives will get agitated if made to wait.

It is especially important to get to the point quickly when communicating bad news, as making the issues clear in the beginning gives more time for discussion and questioning.

Don't try to show how smart you are

Every person presenting to a group wants to be successful. However, it is surprisingly common to incorrectly think that success relies on showcasing your intelligence or dazzling the audience with complicated language or exhibits. Always remember that success is based on how well the audience understood the presentation. It is not about trying to look smart – your audience will already know that you, as an actuary, have the technical chops to appropriately analyze a problem. What differentiates the top actuarial performers is the clarity of their communications and the ease with which they are understood.

Understand the audience and what is important to them

In our experience of actuarial communications, this fifth point perhaps frequently gets the least consideration. The actuary will often place huge effort in the preparation of the narrative and the PowerPoint slides but will give little time to finding out about the audience.

Understanding the audience is challenging, even in small groups or with a single individual, but it is especially difficult with boards where the individuals may come from diverse backgrounds, with different thinking styles and ways of interacting.

Practical suggestions

Good communications skills can't be learned in an hour. They require many hours of practice as well as training and coaching. So, in addition to any formal training that may be available, we set out below some practical suggestions for improvement.

1. Take advantage of opportunities to speak publicly whenever they arise. If these are infrequent, consider arranging presentations to colleagues, perhaps over lunch. The presentations can be about anything: an assignment you recently completed, for example, or an article you read. Low-key lunch presentations are low risk and are helpful for less experienced actuaries who want to get more comfortable in front of a group.
2. Rehearse a presentation at home. Use your smartphone to record your presentation, paying attention to whether you've appropriately incorporated the five key elements. This may feel unfamiliar, but it can be highly effective, particularly to ensure that you know and deliver your key messages in a timely way. Timing becomes increasingly important as presentations at a senior level are often expected to be short, as there is usually an expectation of significant time for questions and discussion.
3. For significant presentations, it is good to do a practice run with colleagues who don't have an actuarial background and to encourage honest feedback. Non-actuaries can help call out jargon or technical language to which actuaries have become inured.
4. Find a good mentor who can provide helpful feedback and advise on your concerns. You can learn from their experiences and skills. If you manage people, allow staff to take on portions of presentations to give them short opportunities to hone their communication skills. As their confidence and skill increases, lengthen the

presentation time and increase the complexity that must be conveyed in a straightforward and easily understood way.

5. Observe your audience, and adjust your communication based on what you're seeing and the questions that are being asked. Don't be afraid to slow down or simplify your messaging if the group appears to be struggling to understand your points. Or, conversely, maybe some of the questions indicate that someone in the audience has more technical expertise than you anticipated and so take care to be attentive to this person. Adjusting course while speaking is one of the harder things to do and so requires practice, but simply going more slowly and pausing can help. If you have a clear focus on the key messages you want to deliver, then this will allow you time to deliver them slowly. It is common that actuaries overload their messaging with too much information, which both takes time and is difficult for the audience to assimilate.

More widely, be a good listener and get to know what is important to others in the organization. This will help you decide what to focus on in your communications. For example, make sure you understand how market or socio-economic trends are impacting business performance. Generally, senior executives are most interested in how your actuarial knowledge fits into the bigger picture and how it will provide greater insights into their business.

Presenting to boards

Presenting to a board is a high point of an actuary's career, but can be extremely challenging. The actuary in many cases won't interact often with the board members and thus won't know their knowledge level or have a personal rapport with them. Also, many board items are confidential, and the actuary will not be aware of all of the actions that the board is considering (e.g., buying business or selling part or all of the company) and so may not be aware of the wider context. Recognizing these factors, the actuary should try to research the background of the board members. Their industry backgrounds should be readily available from their bio's or with an online search. If possible, try to find out more about the board members' particular concerns. Discussing this ahead of time with the CFO or CEO makes good sense, and with individual board members if you have access to them.

Senior management and the board will be most interested in how the results of the actuarial analysis will affect their business (e.g., prior year reserve changes, profitability, credit rating). They will be focused on profitability metrics and growth potential, as well as areas to cut losses. Many boards are also interested in benchmarking or comparing results with their main competitors, what new things are happening in the marketplace, or operational developments, for example, with technology.

Board members are bright people, with good insight, and it is important to listen to their questions and suggestions. They may use somewhat different terminology which may not be clear to you, and in these cases, take time to understand the point, perhaps by restating their question or asking for clarification. It is fine to ask for clarification as the board will consider you to be the subject matter expert and you don't need to prove your intelligence. Indeed, they usually will be appreciative if you are receptive to their questions. Finally, make sure you are well aware of the broader context by researching the issues facing the industry and your own company in particular. The context may not impact directly on your analysis, but demonstrating a broader understanding will give you greater credibility.

Communicating bad news

Communicating bad news is especially difficult for actuaries as an actuarial analysis does not result in a certain answer, but rather an uncertain outcome that has a range of results. This can mean the recipients start to challenge the assumptions and analysis, which potentially can damage the credibility of the conclusions. The actuaries should remember that they are the subject matter experts and, in the case of loss reserves, in the best position to determine the central estimate of unpaid claim liability. They should, therefore, present with confidence and state their position clearly.

It is important to manage the expectations of the audience and state that for some classes of business there is significant uncertainty. However, this requires some explanation of the sources of the uncertainty. For example, with excess workers compensation, you can state that it is difficult to project payments 30-40 years into the future and therefore a wide range of estimate is necessarily the outcome. Most people understand that events long into the future cannot be assessed with precision.

It is good to have a core strategy and we consider the following helpful for actuaries when presenting bad news:

1. Present your conclusions objectively, concisely and consistently first, then let others digest the information and ask questions. Ensure there is plenty of time for questions. Be consistent and avoid contrary scenarios as it invalidates your message, for example, if you recommend an increase in reserves but then state that, if things get better, it might be possible to decrease reserves next year. Some presenters want to alleviate the bad news with a sense of 'hope' but this just tends to confuse the audience. And, before you present bad news, try to anticipate what questions the audience will ask so you are prepared to answer.
2. Your first key message is likely to be that there will be a significant impact on earnings from increasing the reserves to your central estimate. So, after you have given that message, highlight that there is a range around the results and explain the advantages and disadvantage of various levels of reserve increases. For example, if the company books at the low end of your range, they may reduce the hit on earnings this year, but if the reserves develop to the high end of your range next year, the hit next year will be more significant. Whilst this type of "wait and see" approach might be considered appropriate, there is a risk that a repeat of the underperformance will result in distrust by rating analysts or investors. The resulting loss of credibility could be very damaging to the reputation of the company and its senior executives.
3. After the group has developed a reasonable understanding of the impact and causes of the problem, you can then discuss possible next steps. These could be reviewing additional data, monitoring results monthly or quarterly, exiting problematic lines of business, purchasing additional reinsurance, etc. In discussing next steps, it is important to demonstrate that you are being thorough. Take care not to raise expectations that more detailed analysis alone is going to solve the problem. Instead, stress that greater insights can help identify corrective actions.

There are a couple of areas where we have found actuaries to have particular challenges in communicating. These are dealing with confrontation and having to "negotiate" your recommendation. To the latter point, we are not suggesting that providing an actuarial opinion is like deal-making, but rather, that the recipient of your advice may expect you to give some ground if they disagree with you. We stress that it is important to act with integrity.

The actuary can act with integrity without appearing to be inflexible by calmly and thoroughly listening to and addressing all questions and concerns. If you cannot address a concern on the spot, do not feel pressured to change your conclusions. Instead, explain that you will consider the concern in more detail and follow up. Then deliver on this promise as soon as practicable.

Confrontation

Generally, actuaries are uncomfortable dealing with confrontation and want the audience to like them. Unfortunately, that is not the purpose of a bad news meeting, and the actuary's responsibility is to present results of the analysis in a clear and understandable way. If audience members dislike the results, they may act negatively toward the actuary and sometimes can be forceful or aggressive. On these occasions, it helps to keep focused on the key messages and the core elements of the analysis, and to avoid letting the situation become emotional. Like anything else, practice helps with these testing situations, and seeing how a mentor deals with such situations can provide valuable insights. The actuary is a highly qualified and respected professional, but even for experienced actuaries, communicating bad news can be unpleasant. Just remember it is the right thing to do, and that it would

be far worse for the actuary to have to explain years later, after the company went insolvent, why they didn't do the right thing.

Negotiating skills

Whilst presenting the findings of an analysis may not seem like a negotiation, the skills of a good negotiator can be useful in the dialogue and can help convince the audience. Some techniques that we consider effective:

1. Present simple exhibits or graphs that compare actual values against expected values, or that clearly illustrate relevant changes in a statistic over time. The statistics need to be readily understandable so loss ratios, claim frequency and claim severity are good examples, whereas link-ratio factors are too technical. And, as always, the presentation needs to be clear, so do not rely on detailed tables of numbers or complex charts. When presenting this information, state the obvious implication from the exhibit and then let the audience draw their own conclusions.
2. Anticipate questions. This is especially important if there are individuals with strong vested interests present, for example the underwriter for a line of business that you consider to be underperforming. In these cases, you are at risk of being heavily criticized, and may be asked questions that are not wholly rational or fact-based. So you need extra preparation for this area that is wider than your analysis. Come prepared with comparisons of results to peers, market perspectives, information from the claims department, etc.
3. Be able to present a range of outcomes without discrediting your work. This can be tricky, especially when you have non-technical audiences, such as some boards. One approach is to draw analogies and if you know something about the board, it is easier to draw an analogy that they will understand. If they are football fans, for example, you might explain that your central estimate is like an estimate that the Bears will win 8 games next year, while the low estimate is like them winning 6 and the high is like them winning 10. It is always possible that the Bears could win less than 6 or more than 10, but it is unlikely.

Conclusion

Communication skills are likely to be as important to your career success as your technical expertise. Fortunately, communication is a learned skill, just like riding a bike or learning to play a musical instrument. Anyone can get better at it through effort and practice. By taking advantage of opportunities to hone your communication skills, soliciting and incorporating constructive feedback to help you improve, and working to understand your audience's point of view, you'll be able to share the results of your hard work in a way that can be clearly understood and acted upon.