

OPERATING THE SMALLEST OF CONSULTING FIRMS: THE SOLE PRACTITIONER

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There are many differences between being part of a large consulting actuarial firm as compared to a small consulting actuarial firm. Even within each of these categories, there are subgroups of firms. The smallest of consulting firms, the sole practitioner or one person shop (it is no longer politically correct to say "one man shop") is my bailiwick.

I've been on my own for nearly 14 years. No other employees save for my wife who keeps the books. By the way, I've found this arrangement has eased any domestic financial tensions because my paychecks now simply bypass the middle person (me) and go straight to the party who always controlled for most of our personal spending (my wife).

The decision to operate as a sole practitioner was made after many years of working in larger consulting firms and a couple of life insurance companies. Several years ago I reached the point in my life where I recognized what aspects of my work made me happy and when my firm was acquired by another much larger firm, I made the choice to reorganize my career and strike out on my own.

What I'd like to share with you is some of my thoughts about running a single actuary firm and find out if any of my consulting colleagues from around the world have had similar thoughts or other ways of addressing the issues we face as compared to those of our friends in larger firms.

I've learned over the years that being in total control over my own destiny is, on average, an easier environment for me than being part of a larger organization. I don't mind not having my way, as will occur more often than not in a larger firm, but I prefer to make decisions quickly even if this means that the solution may not be perfect.

When I worked for a large firm there always seemed to be demands on my time which took away from the thing I really wanted to do: be a consulting actuary. I was spending too much of my energy on activities which didn't seem productive (meetings, more meetings, and sometimes even *more meetings*.) I always felt pressured to bring in new business not only for myself but for others in the firm. Nowadays, I'm still in the situation where I have to spend a lot of time on activities which are definitely nonproductive but if I don't do them, they won't get done. But because it is my own firm, these activities are not only tolerated but in some cases prove to be very educational (and maybe this is the way I rationalize these usually *mundane tasks*.)

I have a friend who keeps asking me how I survive being the only person in the office. I have repeatedly explained to him that while I'm in my office by myself, I'm actually working with many people in *ad hoc* groups which may be temporary or very long standing depending on the situation. These *ad hoc* groups are created where there is a need. One of the advantages of being in a small firm is that you can pick and chose the best associates for these groups without having to consider the impact on other members of your firm or other relationships which the firm has created. In fact, many clients appreciate that they can select a team of consultants who are not corporately related to each other and that if I'm asked to provide names of other consultants, the clients feel that I can provide them with names for a "dream team."

Some of the biggest problems I encounter in my small practice include:

- peaks and valleys of workload
- finding the time and resources to be current on the latest technology
- keeping abreast of the latest professional developments
- work quality control

There is simply no way to ever eliminate the workload variances. The only way to deal with this issue is to be prepared to sometimes work long hours and at other times have almost nothing to do. There is just as much fear of having too much as there is of having too little work to do. Sometimes it can be a frustrating not to provide a prompt response to a client request because timely service is what consultants sell. The only solution I've found to variable workloads is to recognize the need for breathing room when billable hours are light and using the free time for promotional activities, research and other projects which are pushed aside during peak periods. During peak periods when long hours are required the consolation is that there will be increased collections in the following month.

Technology is one of the factors which makes the sole practitioner more productive than ever before. For those of us who look at new technology as a tool rather than as an area of personal interest, the dilemmas we face are to be able to locate and understand the new technology and then to get the new equipment and programs up and running. The answer to better utilizing new technology may be to find a technology consultant rather than trying to do it all by yourself.

It is far easier for a sole practitioner consulting actuary to maintain technological competence than professional competence. Actuarial science is changing rapidly and globalization brings other challenges. Trying to know everything about actuarial science even in a fairly narrow field is becoming more difficult. There isn't an easy solution to improving professional skills. The sole practitioner consulting actuary must be dedicated to constant learning and the commitment to continuous (not continuing) education.

Work quality control is a concern of every consulting actuary. For the sole practitioner the problem is more acute because yours maybe the only pair of eyes looking at a work product. As I mentioned, in many cases I work in *ad hoc* groups (either with other actuaries or non- actuaries) so there is a form of peer review. When I'm working on my own, I've make the decision, in all but the most pressing situations, to let work sit for a day or two before it is again reviewed and sent to clients. I also take a few extra minutes when I'm solving a problem or "crunching" numbers to build in special self checking elements into whatever I'm doing. Totals for numbers in a table added by rows should always be the same as totals for numbers added down columns. But with modern spreadsheets it is easy to become complacent about looking at results. Just a small error in formulas can cause material errors in results so these self checking devices *more than pay for themselves in terms of correcting problems before they are seen by clients.*

But offsetting these problems are the freedom to select the assignments I want to work on and being able to chose my own work hours. As a sole practitioner I feeling comfortable going after interesting assignments with more vigor than less interesting assignments. One of the most important advantages of being on your own is that you also get to locate the office where you want it. My office is not in my home but it is less than a mile away. In the 21st century with a PC and a modem, an office can be about anywhere in the world you want it to be.

At least in the United States, there is a network of consulting actuaries who are willing to help a fellow practitioner. Sooner or later most of us have taken advantage of the openness of our peers to provide advice, counsel, and sometimes just an ear for a few minutes. The point to remember is that the telephone, fax and e-mail work in both directions and if you contact your peers, you must be prepared to receive and respond to contacts.

Specialization is becoming somewhat of a necessity. It is a shame that we tend to learn more and more about a particular subject and often lose sight of the big picture. There really aren't many renaissance actuaries left but one of the most exciting features of my practice

has been the opportunity to get deeply involved in projects which increased and expanded my knowledge and skills. (It has been said that an expert is a person who knows more and more about less and less until he knows everything there is to know about nothing. Is it possible that actuaries are becoming this type of expert?)

One thing for certain, sole practitioner consulting actuaries need a strong IACA and domestic groups supporting consulting actuaries if we are to continue to be a healthy segment of the consulting actuarial world. As a group we need an organization to represent us in the actuarial and regulatory communities. We have specific needs which are not being championed by any other group.

For example, several years ago state insurance regulators passed a new and required format for certifying actuarial valuations of life insurance companies. One glaring problem with the required language was that it was often impossible to be in compliance with the wording. Company actuaries did not initially recognize this shortcoming in the language probably because they are not as exposed to liability for noncompliance as are consulting actuaries. This is the type of issue which must be addressed by a group of consulting actuaries by and on behalf of all consulting actuaries.

What's the future for the sole practitioner consulting actuary? I wish I knew. Some of us (myself included) might decide to join a larger firm if the right opportunity were to present itself. In the foreseeable future I'm sure that there will be many additions to the ranks of the sole practitioner consulting actuary by actuaries from insurance companies and larger consulting firms. Some of these will be by choice and some will be because they were "down sized" with nothing else to do but to hang up one's shingle.

For those of us who have been on our own for many years, being a sole practitioner is our way of getting closer to "having our cake and eating it too." I've seen several consulting actuaries either as sole practitioners or in smaller firms who have worked well into their 80's. This must mean that they still found intellectual enjoyment in their work even after normal retirement date. For us younger sole practitioners, I only hope that we'll have this same experience in the rapidly changing world of actuarial science.