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Launching a Business

Starting your own company takes focus, courage and tenacity

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Sometimes it is better to be lucky than good. When my business partner, Don, and I started our own business, Aquarius Capital, we were fortunate to land four clients in our first month—luck can be an important element. However, I'm primarily a believer that hard work helps you generate your own luck.

My job path in 1991 had a big influence on my career direction. When Exxon's corporate office relocated from New York City to Texas, my employer at the time (Coopers & Lybrand) sent a team to go with them. My role on the team was as a life and health consulting actuary, and as a Fortran programmer for the company's pension and retirement business. As a consultant who was both seeing clients and serving as a backroom programmer, my project work and roles were very diverse.

At that same time, I was a consulting actuary helping hospitals build themselves into health maintenance organizations (HMOs), assisting insurance companies to grow and purchase reinsurance, while also working as a computer programmer doing pension and retiree health valuations. Today, those skills are proving particularly valuable, as our firm helps hospitals become HMOs, guides organizations in building and managing insurance companies, works on life and health reinsurance transactions, and performs retiree health valuation work (e.g., Government Accounting Standards Board Statement No. 45/75, Financial Accounting Standards Board Statement No. 106, Statement of Position No. 92-6).

CHANGING ROLES

TIPS FOR THE ENTREPRENEUR

Frequently, I am asked questions by actuaries and students about things to keep in mind when starting your own business. There is a long list, but here are some examples.

- **Find investors.** We found investors—us (my wife and I took a loan against our house to have working capital to cover bills as we got started). When you “hang your shingle,” clients do not come right away, nor does income, even if you start working. Unfortunately, the bills still come in, so you must plan accordingly.
- **Learn from your wins and losses.** Learn what you can from both successful and unsuccessful ventures. When you do things well, try to figure out how to scale it. When you are unsuccessful in getting business, try to obtain feedback on what the drivers of the decision process were. Maybe there is something you can learn from it. Sometimes pursued ventures are unsuccessful, so try to learn what you can from them. ☒
- **Become an expert witness.** One of the things our firm does is expert witness work. It is an interesting process, and you can learn a lot from it. It gives you a different perspective when you create work products. I have found I review Actuarial Standards of Practice more frequently.
- **Find business professionals to help support your business.** You may need accountants, lawyers and insurance professionals to manage your

The role of the actuary is ever changing. More actuaries are involved in putting together deals as underwriters (especially in reinsurance) and as intermediaries. Our firm became a licensed broker (life and health) in 2002, and later became a reinsurance intermediary in addition to providing traditional actuarial services. Actuaries working as brokers and intermediaries were a rare commodity only 10 years ago, but not anymore. When speaking to people in the insurance business, some feel we have “crossed over to the dark side” as actuaries, while others feel we have crossed over *from* the dark side.

In the profession, I see more actuaries going into nontraditional roles including investments, reinsurance, underwriting, sales, auditing and brokering/intermediary services. More actuaries are becoming brokers/intermediaries, investment specialists and taking career paths in enterprise risk management (ERM).

As an independent consultant, you must be an expert in your craft while continually looking at ways to reinvent yourself and be current. With today’s technology, companies do not need to hire as many actuaries as in the past. As a result, actuaries must continue to reinvent themselves, which is one of the hardest things to do.

IT TAKES COURAGE TO MAKE THE LEAP

When I started my own business, my wife and I had three (of our now four) children, two of whom were in diapers at the time, and we had no income coming in. As a result, there were a lot of bills and responsibilities to think about. Taking on this risk forced me to really focus on activities that mattered and to not spin my wheels doing things I didn’t believe would have a meaningful impact. I refinanced my house and took money out to have cash in reserves (or what my investment friends call “dry powder”) to deal with any short-term cash flow issues.

As an independent actuary, you now are forced into the role of sales—someone must find clients! As a result, the phone does not ring unless you make it happen. Actuaries must learn how to market themselves. Some of it can be done through volunteer work since the Society of Actuaries (SOA), American Academy of Actuaries (the Academy), Conference of Consulting Actuaries (CCA) and other organizations have plenty of opportunities to volunteer and network. Read “[Volunteer. Learn. Lead.](#)” for more on volunteering and to get inspired.

business. You may find you need attorneys to review business associate/Health Insurance Portability and Accountability Act (HIPAA) privacy agreements, consulting engagement letters and confidentiality agreements. You might even need one to help pursue collections activity. As a small business, insurance broker(s) can help with liability insurance, employee benefits and other coverages. An accountant can help with navigating the complicated tax laws.

- **Be a volunteer.** It is a great way to network and meet new people, plus obtain continuing education credit. I spent a good portion of my career volunteering and hope to continue to do so. I met a lot of friends, mentors and even clients through volunteering. If you are an introvert, volunteering may be a way to help you open up more. You may find others who have gone down similar paths as you, and they can share insights. Anything you can do to accelerate the learning curve is a good thing. As a volunteer, you may also be able to help influence change in our industry, since you will have a seat at the table.
- **Protect your brand.** If there are people you don’t want to do business with, then choose not to do so. As you establish yourself, you also may find that you may terminate relationships with existing clients and decline work from prospects. Some organizations will want to use your credibility and credentials as an actuary for their own special interests, which may not align with your core values. If integrity is important to you, then protect your brand.

CHALLENGES AND OPPORTUNITIES

Running your own business has its challenges and opportunities. Here are three I find to be relevant in today's work environment.

- **Globalization.** Globalization has created the most opportunity for our firm, because we can consult on business outside of our office. We have clients throughout the United States, as well as internationally. At the same time, globalization also has created a threat for many businesses, as other organizations similarly are able to quote on business outside of their physical location. As an example, we bid on a government contract, and we saw bids from 28 actuarial firms on one engagement, including multiple bids from the same company (different offices). So, while globalization creates opportunities, it also creates the risk of commoditization of services in all professions, including our own.
- **Social media.** Social media has become a large part of the business. We've seen the benefits at Aquarius Capital: People have contacted us through LinkedIn (as an example), and we have generated material amounts of business as a result. I even recently set up a [Twitter account](#). The balancing act is that we must remind ourselves that this is a people business, so we don't want to downplay the importance of face-to-face meetings and networking to get business, or become too reliant on the power of social media. However, with the internet and the ability to consult remotely, I have not met more than half of our clients face-to-face, but I have been able to work with many of them for 10-plus years.
- **Continue to network.** Even after 32 years in the business, I still try to continue to network as least once a week. It helps me stay current in the market.

PATIENCE AND FORTITUDE ARE KEY

It's particularly important to be able to be your own psychologist—to manage the highs and lows in business, which could come daily, or even hourly. Entrepreneurs need to have a vision as to what they want to accomplish, and they need to be proactive in finding business—it's rare the business finds you. I worked as an underwriter for part of my career, which has been beneficial since we must underwrite our own clients to assess things such as what is a quality company to partner with and which companies might be willing to ultimately pay for our services.

As an entrepreneur, there are many opportunities to network and volunteer in our profession. Networking creates the opportunity to not only expand your business opportunities, but also to give back to the profession. Our profession creates a lot of opportunities for public speaking, which in turn can lead to business generation. Strong business communication skills are increasingly important for actuaries who want to work as consultants or have executive-level positions.

Determination, trust, integrity and honesty are critical when starting a business. As leaders of our own company, Don and I also had to focus on things we could make in our "wheelhouse"—you must figure out what works and what doesn't. This includes growing an expertise.

TEAMWORK: IT'S THE ONLY WAY TO FLY

Don and I have worked together for close to 25 years, counting time at Transamerica Reinsurance and Physicians Health Services prior to founding Aquarius Capital together. We have been able to rely on each

other for years, which is helpful. We also divide and conquer tasks that neither one of us finds enjoyable (e.g., bookkeeping, licensing and various paperwork).

Teamwork is especially important. The 2014–2015 period was one of the busiest for our organization. In addition to the work we were doing at Aquarius Capital, Don and I also were adjunct professors teaching health actuarial science at Columbia University. Our class size was approximately 50 students (one semester ballooned to 70 students), so we were co-teaching the class and managing the workload of these students (e.g., homework, exams, research projects, volumes of emails).

During that same time period, we also were involved in the formation of a startup reinsurance company in Bermuda and the Cayman Islands, which involved countless hours of work (e.g., business plan writing, analysis, numerous capital raise meetings and calls, etc.). We also assisted many of our students with finding employment, including taking a team of students with us to meet with 26 organizations in Bermuda.

Lastly, on a personal note, I had a partial hip replacement surgery in 2015 and was a victim of health care billing fraud. Based on this experience, combatting insurance fraud is an area I have become extremely passionate about, and some of you may have seen the story about it in articles in the *Conference of Consulting Actuaries*, *Propublica/National Public Radio*, *The Wall Street Journal* and/or on *NBC News* (my 22 seconds of fame on national TV).

The bottom line: Work hard. Be open-minded. Lead with your best foot forward. I've learned so much and am glad I made the leap to entrepreneurship.



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