

28 March 2021

Task Force Roles of the Actuaries

Next Steps

Where are we coming from ?

The Task Force Role of Actuaries (TFRoA) was launched in November 2014 (see [Terms of Reference as published on the AAE web site](#)) and reports to the Professionalism Committee (PC). During the first years of activity, the TFRoA concentrated on the role of the actuary in Risk Management. The efforts led to the transformation of the IFR Committee into the Risk Management Committee as we know it today.

In 2017, members of the PC were asked about their views on the future roles and requirements for actuaries. The main topics that participants identified for the short term were the roles of actuaries growing in IFRS17, Data Science and the embedding of SII. In the mid and long term, the participants identified AI, robotics and information technology as being a threat to actuaries while risk management continuing to be an important topic.

At the same time, it was indicated that technical know-how will need to be supported by professional judgement and other skills such as communication, being able to synthesize and business knowledge.

Based on the input of the survey and the suggestions of members, the TFRoA defined an approach in 4 workstreams with the help of about 15 actuaries:

- Data Science and Artificial Intelligence as emerging fields of activity;
- Professional Judgement as a differentiator compared to other experts;
- Legal and political recognition as a basis for the unquestionable position of the actuarial profession;
- The Risk Management topics are being coordinated with the Insurance and Risk Management Committees.

The workstreams Professional Judgement and Legal and Political Recognition are in a final phase and the EAN on Professional Judgement will complete the efforts of the workstream. The recommendations and proposed actions of the workstream on Legal and Professional Recognition, due by the autumn meetings of the AAE, should lead to a more permanent and structural monitoring of the issue and therefore bring it out of scope of the task force. The workstream Data Science/Artificial Intelligence has reached maturity and a structural approach is discussed.

What are new topics ?

The TFRoA is now reaching a new phase and the next steps have to be defined. Input has been asked from the members of the TFRoA, the members of the Professional Committee, the Member Associations, the Board of the AAE, and the other Committees of the AAE. Research has been done on the web sites of Member Associations and the IAA. Many thanks to the associations of Hungary, Italy, Germany, Ireland, Slovakia, and Belgium and to the chairpersons of the Risk Management and Pensions Committees for their valuable ideas.

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One MA does see no new topics for the TFRoA for the time being, others put forward a wide range of upcoming subjects that are of interest for actuaries :

- The question of roles of actuaries is eminent in other parts of the world compared to Europe. A decline in existing roles (such as defined benefit schemes) is observed and therefore new opportunities have to be created in those countries. It can be examined to what extent this is also the case in Europe.
- The use of forecasting in various parts of the business is crucial and it can be considered that professional organisations are creating a solid reference for this purpose by creating data bases and reports that are validated.
- Data science is now covered by a specific workstream but the link between data science and actuarial science will dominate the profession in the coming years and so that more research can be useful.
- Big Tech : those companies might in the future disintermediate existing players in the financial services industry. Of course, existing incumbents with less well-resourced tech teams might respond by becoming keener on data science skills, so even in such a scenario demand for actuaries with such skills might still rise if Big Tech companies are successful but not compelling so.
- IFRS : the implementation and the role of the actuary under IFRS are on the top of the agenda in a number of MAs.
- Health insurance is growing in importance and will be a major activity for actuaries in the future. The matter has not yet received full attention in the AAE.
- Non-Life : decline of saving solutions in life insurance is leading to the observation that a growth in insurance actuary roles might be more focused on non-life business.
- With Profits Actuary : the trend to more and more discretion in allocation of profits to policy holders and regulatory pressure leads to a more general role of actuaries overseeing the fairness of profit sharing.
- Banking : a significant number of actuaries is working for the bank industry in some countries and therefore some MAs organise working parties on the issue
- ERM : actuaries are playing a role in risk management in a broader sense going behind the prudential roles in insurance and pension institutions.
- Embedding IORP II: roles of actuaries in IORPII such as actuarial function and risk management function are not yet fully fulfilled .
- De-risking : actuaries may provide a good contribution to analysing the phenomenon of financial institutions terminating or restricting the transfer of risk from clients to avoid rather than manage certain risks of clients and advise public policy institutions in Europe on the pros and cons and options that are viable from a professional point of view thereby serving the well being of society as a whole.
- Climate : the subject dominates the political debate and receives the attention of the European institutions. The consequences of the climate crisis do affect the actuarial activities.
- Micro-insurance : poverty and difficult access to insurance also exist in Europe. Some MAs and international actuarial organisations cover the subject. The general interest objective of the AAE implies that this item should receive attention.
- Specific risk coverage such as aircraft leasing, small housing, aggravated risks
- Consumer protection : some MAs have a specific activity around consumer protection and the actuarial input.
- Communication : it is suggested to insist on the communication skills for actuaries as a professional objective.

Some subjects are already covered by other initiatives :

- The role of the actuary under IFRS is followed up by a working group in the Insurance Committee
- Data Science, Artificial Intelligence and Big Tech solutions are considered in the work stream DS/AI to become a permanent entity in the AAE
- ERM and a broader risk management approach are on the agenda of the Risk Management Committee
- The role actuaries can fulfil in the debate about sustainability is followed up by a working group organised by the Board. The focus is in the first place on the climate issues, other aspects will be considered later
- Consumer Protection has already been on the agenda for several years and followed up by a specific working group
- The Insurance Committee is organizing an expert group on non-life, and if needed can consider to examine specific subjects
- Communication and other soft skills are indeed important and are part of the curriculum of actuaries to be considered in the Education Committee

Embedding IORP II, and especially the role of the actuary in risk management of pension institutions is now put in practice. Exchange of experience amongst actuaries in Europe can help local actuaries to strengthen their position. One can say that the embedding of IORP II on the one hand and the role of actuaries in risk management in pensions on the other, is in the first place a joint interest domain for the Pensions and RM Committees.

The TFRoA will inform the corresponding entities on the interest shown and the suggestions that have been made during the survey on the future roles of actuaries.

At the other hand it should be clear that [we should rather focus on possible new areas where actuarial skills could be of value instead of just thinking about creating new opportunities.](#)

New objectives for the TFRoA

The variety of the suggestions shows the multiple interest fields of actuaries and the number of roles actuaries can fulfill in all segments of society. It also illustrates that there is not a specific fundamental subject that is not yet covered by the AAE. It also demonstrates that while the AAE is active in a lot of areas it does not seem that the member actuaries also not those who are involved in the AAE organization, are always aware.

It can be suggested that the Board communicates on its activities in a more comprehensive way to the active member actuaries.

As a consequence it would be appropriate to redefine the objectives of the TFRoA. Instead of preparing the AAE to integrate existing fundamental changes in the actuarial activity, the TFRoA is going to detect new area with interest for actuaries. After identification and analysis, the TFRoA will prepare cases and will present those to the PC for decision on the approach.

The detection can be based on the input given by the MAs, consultation with the European Institutions, research by the TFRoA itself.

If subjects or themes are considered relevant for a significant group of actuaries or a potential group and/or for the profession as such, groups of interest can then be created with the intention to position the role of the actuary and the contribution of the AAE in this area.

The ToR of the TFRoA will have to be adapted in this way.

New selected subjects

In this context and based on the collected information, it is proposed to the PC to examine 3 cases in the next year :

1. Health : actuaries have traditionally been key in health insurance, perhaps less visible in collective systems. A sound approach of the health care system with attention for all stakeholders is and will be a major challenge. The interaction between commercial and public players is a specific characteristic.
The subject has been suggested several times and is present in the activity of the bigger MAs.
2. Banking : actuaries are probably underrepresented in the banking sector, but this seems to change rapidly in some countries, especially Anglo Saxon. Together with the competences of actuaries in financial risks and products it can be considered to examine the possible needs of actuaries in this sector.
3. Fairness : de-risking applied by the pensions and insurance sectors including the transformation of DB to DC pensions systems and discretion of profit allocation, accessibility of protection in terms of both insurance and financial risks are all expressing a concern about the fairness of the financial system and whether the overall public good is served. The actuarial approach and professional judgement can help to assure that reasonable options are analysed and offered to policymakers for systems that properly recognize the public interest. Systems such as micro insurance can help to offer alternatives especially for groups who need it. This subject, although different but is closely related to the working group on sustainability.

Upon support by the PC, it is suggested to nominate a limited group of experts in those domains to prepare the cases for the AAE and to recommend how to support the European actuarial profession.

Finalisation of existing initiatives

The remaining two workstreams Professional Judgement and Legal and Political Recognition plan to finalise their work being the acceptance of the EAN on Professional Judgement and the report on the embedding of the reserved activity and/or title.

Composition of the TFRoA

Together with the changing focus of the TFRoA, it is required to adapt the composition of the task force. Expertise in the 3 new selected subjects will be needed to allow for a adequate preparation of the cases.