

THE FUTURE ROLE OF THE ACTUARY

BY **GIAMPAOLO CRENCA**

In recent years the development of the actuarial profession has increasingly featured consolidation and growth of the traditional fields (insurance and pension), although broader fields have also experienced significant movement; in some cases we can already see an impact from this. This situation clearly illustrates that actuaries cannot remain closed but must continue broadening their view to include all risks – to the extent that they are quantifiable – for evaluation of their impacts.

But the first issue is to change the entrenched actuarial mentality. This is often too closed to everything regarding mathematical aspects: formulas, models, etc. While these are, of course, always of paramount importance, actuaries also need to embrace the need to open up to more factors. This means consulting all kinds of participants in the system, such as legal and IT experts, distribution networks, politicians, board members, press, public opinion, other professionals, and anyone else who may have relevant input. This is necessary to address the main underlying issue: people need to understand what an actuary is, what they can do, and what kind of problems

they are able to solve. Dialogue and transparency are required of us; what we say, report and present must always be easily understood.

The two other main areas in which we need to advance are education and communication.

THE EDUCATION IS RATHER SIMPLE TO SAY, but very complicated to implement. Without education we can do nothing! That means education is an essential measure if we wish to further develop traditional fields and build on the wider fields. In practice, this requires continuous implementation of a core syllabus encompassing new fields and emerging risks,

to ensure actuaries' quality standards are as high as possible.

IN TERMS OF COMMUNICATION, the main mission is to let the world know actuaries exist, and from there to expand understanding of actuarial activities. We need to break out of the 'shell of the numbers' and broaden perspectives on what we do, explaining that we are primarily assessors – not clairvoyants, nor simple calculators. We don't claim any crystal ball: the actuarial profession is a science! The way we communicate must be tailored to each audience, though the language used should always be clear and easy to understand. >

WE CAN GO ON to identify contexts in which the role of the actuary could be expanded, bearing in mind the basic consideration that actuaries are equipped for evaluating uncertainty. So they can work with any kind of risk, as long as it is quantifiable; to put it another way, there must be sufficient data available, including qualitative information.

There is already a large list of such risks/fields and they represent our challenge for the future; some of them are already established, some are just getting started, some are in progress. A few well-established examples from the list include: systemic risks including climate, catastrophic, sustainability and similar; new data processing techniques (for instance machine learning, artificial intelligence); supplementary private health funds; IFRS17 in insurance. We can also add cyber risk and operational risks to this, not to mention data science, which constitutes *a new approach to a very old problem* – that ‘problem’ being the data, the essential starting point for every actuary and something any evaluation must contend with.

THE LIST OF AREAS in the early stages of development includes internal actuarial audit, capital management, welfare plans and advanced finance,

while exploratory work is being conducted in respect of project management, planning and control, strategic marketing/distribution plans/customer analysis.

WORTHY OF SPECIFIC MENTION is the governance which these days increasingly involves an ‘actuary manager’, especially in the fields of insurance and pension funds. The governance mechanism here may be indirect or direct. For instance the Actuarial Function concept is an example of indirect governance, because in it the actuary supports the decision-maker (board) with respect to solvency. By contrast, when an actuary sits as a member of a pension fund board, this represents direct governance because the actuary themselves decides.

A MENTALITY CHANGE is needed, as mentioned at the beginning, but it is also necessary for actuaries to be able to broaden their own experience and skills to other areas (balance sheet, legal, IT, administration, etc.) – while never forgetting their actuarial focus and approach – to enter into dialogue with all other parties and to be fully involved in the governance process. This adjustment to the role is a very important step forward and one which some actuaries have already put into action.

SO THE FUTURE ROLE of the actuary could be extensive and significant. Actuaries can be more and more essential in supporting decision makers and any kind of stakeholder (including governments and corporations) in taking decisions, meaning that the actuarial role is destined to expand. To do this successfully there are very significant challenges to overcome, though in all scenarios the profession must keep another critical goal in mind: the general wellbeing of society. <



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