SOCIAL SUSTAINABILITY IN THE INSURANCE INDUSTRY: A CRUCIAL COMPONENT

BY **FRANK SCHILLER**

Social sustainability is an essential element of the solutions provided by the insurance industry. Insurance effectively safeguards individuals through the pooling of risks across a collective and over time. Insurance companies, while privately organized, must also take into account regulatory requirements (such as Solvency II) and other economic factors (such as regularly paying dividends to shareholders, though mutual insurance companies may face less pressure than publicly listed ones). These considerations ensure that insurers can offer risk coverage sustainably and stably in the long term.

This balancing act may result in potential conflicts between the different ESG (Environmental, Social, and Governance) sustainability goals – such as social versus environmental objectives – or between social goals and the stable, economic financing of insurance solutions. Actuaries, with their specialized training and expertise, are uniquely positioned to design appropriate solutions for these conflicts. >

It is vital for companies to evaluate and weigh the available options and assess how they impact various target dimensions, particularly ecological, social, and economic aspects. Actuaries support management in making informed and balanced decisions that account for the interests of policyholders while also safeguarding the collective of insured individuals.

Beyond the insurance sector, actuaries can also contribute to broader societal solutions by advising policymakers, independently assessing the various options available.
In Germany, there are specific challenges in the fields of pensions, life, health, and property insurance that require the involvement of actuaries. Key areas include:

1. **PENSIONS:** How can the occupational pension system and the current pay-as-you-go system of the first pillar be modernized to prevent old-age poverty despite volatile capital markets and demographic shifts?

2. **RISK ASSESSMENT:** How can personal risks be assessed appropriately in insurance, ensuring affordable premiums and a stable collective, while avoiding the unjust exclusion of individuals or the unjustified increase of premiums and restrictions on access to coverage? Currently, the 'right to be forgotten' regarding certain pre-existing conditions is being discussed at the European level in life and health insurance.

3. **DISABILITY INSURANCE:** In disability insurance, premiums for certain professions can become prohibitively high, making coverage unaffordable for some. Actuaries can develop new coverage models, such as basic capability insurance, offering tailored solutions for these groups.

4. **HEALTH INSURANCE PREMIUMS:** Ensuring the affordability of health insurance premiums, particularly after retirement, is crucial. Actuaries can provide valuable insights into expanding existing models to address this issue.

5. **NATURAL DISASTER INSURANCE:** In natural hazard insurance, a conflict arises between risk-based premiums, which incentivize property owners to take protective measures and improve resilience against natural hazards, and the resulting premium increases, which can make coverage unaffordable, particularly for lower-income individuals, raising the risk of underinsurance.

6. **ARTIFICIAL INTELLIGENCE:** Actuaries play a vital role in ensuring that data and methods used in the development and pricing of insurance products and processes are free from bias and discrimination, particularly with the increasing use of artificial intelligence.

These examples highlight the significant contribution actuaries can make in the coming years, providing data-driven, knowledge-based analysis and fostering informed discussions to develop appropriate solutions. <

FRANK SCHILLER is Chair of the Enterprise Risk Management Committee at DAV.