



COLUMN

Our role as actuaries



The role of actuaries transitions as society transitions. We distinguish and assess the acute and chronic risks of our time, manage them and plan/price for the residual impact. Joseph was the first actuary, my first year university professor

claimed. Under orders from the Pharaoh he needed to put aside enough grain to feed Egypt for 7 years of hunger. We've come a long way yes!

As I'm writing this the background news is the takeover of Credit Suisse by UBS following acute liquidity issues. And like any weekend visit to the ER room – this puts everyone on high alert. That beeping sound of a heart monitor ringing in the back of your head which remains even after the cardiologists assures the family it was a panic attack, not a heart attack. The NOS Monday headlines start with the negative impact on the Dutch banking sector. Shortly followed by the political landslide of the *Boer Burger Beweging* last week and a liveblog of the Ukrainian war. The pandemic has long slid from headline news, along with the war induced energy crisis and recent pension age woes in France.

21st century society is in transition – this is clear. What is less clear is the boundary between symptoms of something chronic, systemic, or an acute panic attack which is temporary. A trust issue, nothing underlying. An innocent cold or a full on pandemic.

For me it stacks up to various symptoms of something chronic. On five fingers we have an ageing society, a polarizing unequal society (between and within borders), the climate/environmental crisis, a recent pandemic, a war

and related energy issues. The ailments of extreme wealth and economic obesity as opposed to hunger. The banking anxiety comes after years of low interest, hiked in response to inflation, which came on the back of an energy crisis following a war and a pandemic. All of which follows decades of consumption, population growth and environmental degradation. And while it all sounds disastrous – humans have never had it this good.

With the glass half full the role of actuaries becomes much more interesting, and needed. Not only on a micro, company level where we can translate it into underwriting, market and credit risk. Also on a macro societal level where it translates to political stability risk. Martin Wolf recently published a book about the decay of capitalist democracy – I recommend reading at least the summary. As a profession we need to reflect on our role in creating this risk in addition to managing it.

An example is the detailed underwriting we can do with available data and computing power. We can price every risk exactly – the point of value added is becoming the ethic line whether you should be pricing it exactly. Should you charge a premium for that postcode that has higher than average mortality, and also faces higher than average flood risk. You're pricing correctly but contributing to societal division. This may mean influencing the debate around regulation, or politics, or getting on boards of enterprises shaping society in addition to pricing risk correctly.

In summary – instead of focusing on the technical aspect of solving problems our role will demand a more strategic/systemic perspective to tackle the chronic issues of our time.

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