



## **Actuaries for Transformational Change - Our Charter and Purpose**

### **Context**

We are a group of actuaries who came together in London on 18 January 2020.

We believe the actuarial profession could be more influential in the industries we work in and society at large. Our initial interests were economic thinking, climate change and sustainability. These issues are so intertwined with our systems and cultures that they often become irreducibly complex, “wicked” problems. Thus we believe a “systems thinking” approach is required.

In March 2020, the COVID-19 crisis escalated to a global crisis of epic proportions, which is likely to fundamentally change the ways we work, live and play. Our work lives, modes of thinking, and social and family lives were shaken and simultaneously challenged on many fronts. We are struggling with complexity and uncertainty. We regrouped on 20 March, wanting to seize this moment of opportunity.

We now see this crisis as a “burning platform” for humanity, our economic and political systems and our cultural life. It provides a unique opportunity to rethink how the profession can be repositioned to have a greater influence in this world of complexity and uncertainty.

We identify the following issues and needs

- We have made significant advances in our methods for measuring and managing quantifiable risks in stationary and linear systems . We now also need to bring forward excellence in judgment and in dealing with uncertainty which is embedded in complex, non-stationary and non-linear systems.
- In our jobs and for our clients, we are users of existing economic thought. When comparing the problems to be solved and the economic tools and ideas in common usage, we find the latter lacking. The complexity and long time horizon of our clients’ problems require reflection and judgment, thinking and discernment, and narratives for communication and understanding.
- “Risk” is too often measured and thought of as the short-term volatility of asset prices. This has produced a focus on short-term outcomes at the expense of value and sustainability in the long term. We need additional ways to measure and to think about risks and uncertainties related to both the short and long-term objectives of our clients, stakeholders, policyholders, pension members and society as a whole.
- We find incentive cultures troublesome, not everywhere but nonetheless too often. Profit and success, for companies and individuals within companies, especially within the financial sector, are often not aligned with customers’ realistic needs, or customers’ success criteria are instead re-defined and re-aligned with companies’ criteria. This misrepresents our long-

term stewardship role. We need to reassess and re-align consumers' and clients' interests and objectives, especially when difficult, complex, or plagued with uncertainty.

- Our probabilistic risk models do not capture the uncertainties inherent in the complex adaptive systems we live in. We need to be clearer about which risks are included and which risks, and whose risks, are excluded. We need to deal more systematically and more professionally with uncertainty. To do this, we also need step back and assess the big picture and apply wide attention.
- Our emphasis on capital efficiency and productivity has reduced our resilience as a society.
- Our preoccupation with growth has come at an unacceptable price to our habitat. We have become more capable and more sophisticated in managing risks, but have restricted the risks within our focus and retreated away from prudence. We need to complete the risk picture and reassess the desired balance among growth, efficiency, productivity, resilience, and societal cost and societal value.

These complex issues are highly consequential for the sustainability and effectiveness of the financial and other systems within which we perform our risk management work.

Given our common context as actuaries, we now want to encourage change within the profession and increase its influence through discussion, inclusion and excellence. We believe this can be done effectively with care, urgency and sense of purpose.

### **Our Immediate Objectives**

We aim to create and curate a number of thought pieces around the following themes

- **Sustainability at a Global Level.** The world emerging from COVID-19 cannot be a reboot of the old economy and the global model as we knew it. It has to be built on new principles of stewardship and sustainability. Climate change, health and economic security, inequality and precarity, inefficacy of international governance, populism, AI and Big Tech are complex issues which confront humankind. How can we contribute to improved economic thinking and cultural change to effect real change at the societal level?
- **Unintended Consequences of Regulation.** Regulation brings with its unintended consequences: herding and group think, procyclicality, suboptimal capital allocation, product or advice unavailability, inequitable transfer of risk and wealth, and social exclusion. Can actuaries influence how our industry and institutions are regulated? How do we create the necessary contexts for transformational change?
- **Risk Modelling, Uncertainty and Judgment.** Our actuarial risk models can become inadequate when faced with the Knightian uncertainty inherent in the non-linear, complex adaptive systems we live in. How do we persuade regulators that models are tools which provide answers to constrained problems, but that in the real world those answers are incomplete, and need interpretation and judgment? How do we impart and encourage judgment in actuarial education and practice?
- **Multi-paradigm and Systems Thinking.** The problems humanity faces are “wicked problems” and a systems thinking, multi-paradigmatic approach is required. How do we bring reforms to our education and continual professional development to enable actuaries to better contribute and influence debate in the wider world and to better learn from and work with

other disciplines? How do we get the world to understand the complexity of these problems?

- **Fostering Thought Leadership.** We must encourage and bring into the foreground, thought leadership in many paradigms. Sustainability and climate, economics, systems thinking, risk, uncertainty, modelling and judgment--all these are inter-linked. How do we navigate across these paradigms? How do we make real progress, engaging appropriately with the full range of disciplines across society?

All these are complex, multi-faceted, intertwined issues and questions. Actuaries can help rethink the questions through long term and risk management lenses which are our unique strengths, and which characterise the history and tradition of our profession. What judgment and actions can we offer which are useful in the discourse and in which contexts? How do we create the necessary contexts for transformational change?

### **Purpose and Influence**

As actuaries, we have a public duty to apply our actuarial skillsets more decisively, deliberately and ambitiously to achieve social impact goals of our time. How do we help in opening these new exciting vistas for our younger actuaries whose concerns are increasingly about social impact and making a positive difference in the world we live in?

We pledge to do the above in a manner which will bring credit to the actuarial profession, and we will support and enhance our profession's commitment to societal and public interest.

We are all speaking in our personal capacity, and we do not represent our respective employers, organisations or the Institute and Faculty of Actuaries' (IFoA).

We agree to be governed by the following principles.

### **Principles**

1. The six principles of the IFoA's Actuaries Code.
2. We will adopt a multi-disciplinary approach and bring an innovative approach in framing both the problems and solutions. Hence, we will go out of the group to seek expertise.
3. We will make our material available to the IFoA.
4. We appreciate that work we do is often in "Beta version" (work in progress) – and that better and more complete versions must follow.

### **Initial membership, Interests and Skillsets**

Ashok Gupta – Policy, Governance, Innovation and Systems Thinking.

Louise Pryor – Climate Science and Sustainability. Artificial Intelligence. Education.

Martin White – Investment and stewardship. Retirement issues. Tax

Neil Cante – Complex Systems, Risk Management, Risk Modelling

Nick Silver – Climate Bonds. Radical Thinking.

Nick Spencer – Co-chair Climate Related Risk Taskforce. Sustainable investment. Resource and Environment.

Nico Aspinall – Investment and Systems Thinking.

Oliver Bettis – Pricing and Economics.

Sam Achord – Risk and capital management. Capital frameworks.

Simon Jones – Responsible investment, climate change.

Tan Suee Chieh – Organizational Change and Transformation. Psychology. Group Dynamics. Governance. Systems Thinking.

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