



Death by Data

I am going to say something controversial. Something provocative. Something that could well get me drummed out of the actuarial profession. So here goes:

The actuarial profession is too wedded to data, and it's killing us.

Now that may sound strange coming from someone who is one of the biggest believers in data analytics as a growth area for actuaries – a field in which we can add enormous value and where I believe many actuaries will find work in future years. So let me explain.

LIVING IN INTERESTING TIMES

There is an old (purportedly Chinese) curse: "May you live in interesting times". I think actuaries are currently doing just that.

If we think back to a past "interesting time", it was probably the introduction of computers. Much of the pure technical work actuaries did was able to be automated, and I am sure there were many predicting the demise of the profession. But we flourished by reinventing ourselves as those who not only analysed but also interpreted the data. We evolved, and we thrived.

I think the time for our next evolution is upon us.

It is recognised in our strategic work (refer the Institute's 2010-12 strategy) that the actuarial profession is undergoing rapid change. Our "Statutory Castle" (as Jules Gribble calls it), whilst still strong, is not growing as rapidly as before and those that have ventured outside its walls face stiff competition from other professions. We are experiencing rapid changes – in technology, regulation, customer behaviour, the incidence of severe weather events, investment market behaviour and longevity.

Now more than ever, past experience may be a poor guide to the future. And now more than ever actuaries need to show and prove our worth in an open market of highly skilled, financially savvy professionals.

As time has gone by and many professionals (including some actuaries) have moved away from purely technical work to providing more advice and counsel at senior levels, a large portion of actuarial practitioners have remained wedded to our data. We've been happy to keep our heads down doing technical work and opting out of being involved in business issues where we do not have the data – saying "that's not actuarial work". Whilst other professions have evolved, I do not think we have evolved to nearly the same extent.

I have gained the impression that a significant minority of actuaries think we shouldn't get involved in issues or debates which are so uncertain that there is no data for us to analyse to do our arcane actuarial magic. "How is this actuarial science?" they cry.

Well, ERM is a case in point. An important component of enterprise-level risk management is dreaming up likely future scenarios and then working out how the entity can optimise its response to that scenario. This is a futurist approach. And that's the evolution I think we need to make. It's not data-driven, but it can be done best by people with a deep understanding of the data and the things that make the organisation tick. And that's where actuaries excel.



ACTUARIES ARE FUTURISTS

Actuaries have always been futurists. Our skill set is to forecast what is to come, and work out an optimal response to that. That's our differentiator from other professions who stop short at analysing what has been, and are not forward-looking as we are.

In recent months we have been working on something new. We have attempted to apply a futurist approach to some public policy work around one of the biggest issues Australians are facing – our longevity.

Over a period of months, a number of our leading superannuation and wealth management actuaries have been working with the Institute's public policy team and our Public Policy Committee to create the Actuaries Institute's first White Paper – called "Australia's Longevity Tsunami".

We are aware that Australia's ageing population is high on the Government's list of front-of-mind policy issues, and longevity and retirement funding are areas where actuaries have significant expertise. So it seems natural for the Actuaries Institute to have some proactive, value-added input into this issue of national importance.

By taking a futurist approach we are able to be more "out there", posing a realistic "what if" scenario which is that current estimates of life expectancy will radically underestimate how long Australians are actually going to live. This is not wholly backed up by data, because projections of past data don't anticipate rapid improvements in longevity, but is plausible based on previous experience. (In the past we have consistently underestimated longevity improvements.)

By taking a futurist approach, we can really start to say something new and draw connections that others may not have drawn. This well-thought-out opinion will, we hope, capture the attention of policy-makers. An added bonus will be if we can capture some media attention for the profession and help educate a broader range of people about what actuaries do.

HOW DO WE MOVE BEYOND DATA-DRIVEN WORK?

If we restrict ourselves to only dealing with problems we have the data to solve, we will be limited in our ability to contribute to some of the big future issues facing Australians. If we want to be relevant, we have to move beyond technical analysis and be able to use our considerable expertise on some of the big picture issues that impact us all. Our work on flood risk last year was a good example of this.

One thing that actuaries and futurists have in common is that we do not simply forecast the future and then passively wait for it to happen to us. We look at various future scenarios and then put in place measures to try to optimise the future result.

In other words, actuaries work to make the most favourable future a reality. What a great elevator pitch that would be! **A**