

IFoA Presidential Address 18 June 2020

Strategy. Culture. Imagination.

“I do not think that the profession has any besetting vices, but I sometimes think that perhaps it has besetting virtues. As a profession, we are apt to be accurate, cautious, consistent and reticent, and in these lies our strength; but if they do not leave enough room for impulse and imagination, they can be a weakness. The actuary who is only an actuary is not an actuary.”

Frank Mitchell Redington 1906-1984

Introduction. Covid-19 and our Survival

I speak at a sombre moment as your new President. It is obvious, these are not normal times, as we manage our way through a global crisis unlike any other.

I hope that you and your families are safe and well.

The COVID-19 crisis dislocated all our plans and took away what we did routinely only four months ago. Although we are not meeting in person today, in a surreal way, I feel more connected and closer to all of you. It took a virus to remind us poignantly that we are not only members of the IFoA, but, more importantly, members of one human race. And “black lives matter” inform us how precarious our coherence is as one humanity.

As a human race we are struggling with insecurity, complexity, and uncertainty. The threats to our society are varied and growing. Our conventional operating assumptions have been shaken and challenged on many fronts.

The COVID-19 crisis brings the issues which confront the IFoA as an organisation and the relevance of the profession into sharp relief. It is a good time for us to reflect, and question deeply what we stand for, and why we are here as actuaries. As a body we must seek solutions to society’s most pressing problems. We must chart a new path for our profession and for ourselves.

Before I begin to chart that path, I will talk about who I am.

Background and Return to the Profession

I grew up in a small town called Semenyih in Malaysia.

When I was a young boy, I heard from older friends about the skills and influence of actuaries. Years later, at the age of 15, my maths teacher, Mr Low Ti of Kajang High School, suggested that I might want to become an actuary.

As with many of you, this was how my journey to become an actuary began. I looked up to the then Institute of Actuaries as a beacon of thought leadership, the summit of professional and intellectual excellence and as a foolproof conduit to success in the commercial world.

I worked for Prudential Assurance for 20 years from 1981 to 2001 and lived in the UK for 10 years. Names like Frank Redington and Ronald Skerman – who were the illustrious Chief Actuaries of the Prudential and Presidents of the Institute of Actuaries – rang through the actuarial corridors in Holborn Bars, where I interned. I would regularly walk across to visit Staple Inn, talking to people there, always browsing in the library and thumbing through the literature of the last 200 years. I was proud to be associated with the Institute of Actuaries. I was proud to be an actuary.

I say all this because I want my newer British friends to know that I am no stranger to the IFoA's place in British financial history and to our proud professional and intellectual traditions, and to tell all of you, how dear all these traditions are in my heart.

I speak not only as your first Asian President, for which I will be eternally proud, but I also speak as an old friend who has come back to visit you, to remind you how breathtaking your influence has been, how well respected you have been by governments and businesses throughout the world and how you have inspired many generations of students in Asia and Africa.

And to tell you in all sincerity, that I believe your best days are yet to come.

When I became the CEO of Prudential Singapore in 1994, my role became less actuarial. As a result, I channelled my professional energies elsewhere. It was only in 2017, some 23 years later, when I retired from executive life, that I started volunteering for the IFoA again. The achievements of the IFoA over those two decades, especially in Asia, and in my home countries Malaysia and Singapore, were outstanding. Our conferences were impressive and student numbers were high. I want to pay tribute to the work done by the leaders and executives of the IFoA over these two decades.

I campaigned successfully to join the Council in 2017. I was delighted to be elected, and to return to the heart of the profession I love.

On my return, I found three things which concerned me

1. Firstly, I saw that the voice and authority of the membership of the profession did not seem to be as strong as they had been before.
2. Secondly, the thought leadership and the influence of the profession in the UK have both declined significantly from my experience of 25 years ago.
3. Thirdly, the governance in the IFoA was not working well and this made it difficult for the Council to exercise its strategic and stewardship roles effectively.

Frankly, I was saddened by all these. These should not have happened, and we must not allow these to happen again. I was confident that something positive could come out of all these. That is why I decided to stand for the Presidency, to help lead this change.

With this as a backdrop, I would like to begin by discussing the elements which will enable us to change and reinvent ourselves to become a more responsive organisation and a more influential voice in this rapidly changing and increasingly uncertain world.

If we want to see change in the world today, we must have the courage to make a new beginning. I want to make a call to all of us to make a new beginning.

Culture of the Profession

I campaigned to be a Council member in 2017 and your President in 2019 on a platform of transformational change to enable the profession to thrive in a digital age. I believe this remains the IFoA's central task. The COVID-19 crisis offers us a burning platform to accelerate this change, to rethink how we want to operate the IFoA as a body, and how we want to educate and train our actuaries, and how we want to reposition the profession to have greater influence in the world.

At Council debates, I asserted that the reinvention of the profession would not happen if we did not transform the culture of the IFoA because it is they who will have to execute our strategy.

And the cultural transformation of the IFoA will not happen if the Presidential Team and the Council do not offer the clarity of leadership, courage and humanity in setting out a clear agenda for action, and in reinventing our existing governance arrangements.

The empowerment of the Executive Team is a critical enabler of their ownership and in the execution of our strategy.

We need significant changes in the governance of the IFoA to one which is simpler, smarter, less costly, more responsive, and working in service of our membership and our strategy.

Our current governance arrangements make it difficult to do anything quickly. The status quo does not work well in today's world. In many ways, the status quo reflects our nature as actuaries and the culture of the profession. We are too accurate, cautious, consistent and reticent.

And let me tell you culture matters. Culture matters deeply. In fact, in a world of transformational change, culture is the only thing that really matters. Our reinvention is really about the cultural transformation of the profession.

The traits and tendencies we have as actuaries are self-evident. We have many strengths, but as any psychologist will tell you, an over-developed strength is a weakness

- Firstly, we are cautious and reticent and that is important in many actuarial roles. But in many other areas we must be more courageous, dynamic and entrepreneurial.
- Secondly, we love accuracy and consistency but often we are weighed down by it. We must learn to accept an imperfect answer and move on. Speed is often as important in decision-making as accuracy, often more so.
- Thirdly, we often look to the past for guidance, but now more than ever we must look to the future for our inspiration.
- Fourthly, we like to look inwards into our profession for solutions. However, we need to be more curious about the outside world and adopt a learning and growth mindset because this is how we will discover the opportunities and solutions.

Ultimately, we have to be bolder in our imagination on what is possible.

These psychological and cultural characteristics were referred to time and again by Presidents in their presidential addresses.

Peter Clark#1 in the year 2000, Jeremy Goford#2 in the year 2002, Nick Dumbreck#3 in the year 2006. And Ronnie Bowie#4 in his 2008 address to the Faculty of Actuaries said that "we have to be bold and adopt a spirit of enterprise, otherwise we enter into a cycle of complacency, decline and eventually irrelevance."

And it is one of our greatest Past Presidents, Frank Redington#5 arguably the greatest actuary in the last 100 years who, on accepting his Gold Medal in 1968, said:

"I do not think that the profession has any besetting vices, but I sometimes think that perhaps it has besetting virtues. As a profession, we are apt to be accurate, cautious, consistent and reticent, and in these lies our strength; but if they do not leave enough room for impulse and imagination, they can be a weakness. The actuary who is only an actuary is not an actuary."

These are powerful words from one of our greatest intellectual forefathers. Let us, in this generation, respond to his call. Let us create room and welcome the new values alongside the quintessential ones. The actuary who is only an actuary is not an actuary.

COVID-19 Crisis: Uncertainty and Imagination

In the last fifteen minutes, I spoke more openly and boldly than I would have done, had COVID-19 not happened.

This is an opportunity for all of us to shape the future, not just respond to it. We must imagine what is possible for the IFoA, the profession, and for us, as actuaries.

Recently, we have seen signs of change, which give me ground for hope.

I give you two examples

- The first example. Bringing our exam-centre based exams online in April successfully was a singular most impressive achievement of the Executive Team. I have not seen anything like it in the last three years I have been on Council. It shows what is possible if we have clarity of purpose, teamwork, motivation and a deadline. The Management Board took the necessary risks to support it. Pre Covid-19, this idea would not have survived the scrutiny by the Management Board, let alone the Council. The exercise was completed within two months from the day the idea was first conceived. I applaud Stephen Mann and his Executive Team for achieving this. I strongly encourage the Management Board and Council to continue to give the Executive Team space, so that they can exercise ownership, initiative and deliver the strategy for the profession in a highly motivated fashion.

This is what we need to do if the IFoA is to thrive in a digital age and in a future fraught with uncertainty and opportunity.

- Now, the second example. Recently, we have seen a new energy on our IFoA website which is filled with topical webinars and curated content in the Pandemics Hub. The rapid set-up of the COVID-19 Action Taskforce – led by Louise Pryor and Colin Dutkiewicz – reflects the response to the needs of our time. In a few short weeks, the Taskforce has over 550 volunteers working on over 90 different workstreams – all reflecting actuarial contributions to understanding the pandemic better.

Along with this, the COVID-19 Actuaries Response Group, an informal community of ten actuaries and medical specialists, led by Stuart McDonald and Matthew Edwards, came into being outside of the IFoA. They had a desire to learn and share notes, with the aim of helping fellow actuaries as well as a wider audience to understand and manage the unfolding COVID-19 crisis. They do not aim to duplicate nor rival the quality and rigour of work achieved by our official publications. But they aim to be quick and responsive. So, in effect they are what Steve Jobs would call a “skunk works” group doing the best they could outside the IFoA.

The COVID-19 Actuaries Response Group has attracted 4,300 followers on LinkedIn and 3,400 followers on Twitter in the last fifteen weeks. The engagement scores were extraordinarily high. They appeared in *The Wall Street Journal*, in *The Spectator* magazine, *The Financial Mail* in South Africa, and in four insurance publications in the UK.

The 42 bulletins produced by the Actuaries Response Group, as well as our own highly respected CMI updates and publications, were universally praised.

The combination of the pronouncements of the Actuaries Response Group and the IFoA's Covid-19 Action Taskforce meant that IFoA actuaries, as a group, are seen as being able to move with speed, make impact in the social media and also produce high-quality and rigorous pronouncements with care and professionalism. This has caught the attention and approbation of many throughout the world.

I would like to suggest that the IFoA's governance evolves quickly and act imaginatively to embrace the creation of such communities outside the IFoA.

Let me say, if our system has too little diversity, experimentation and adaptation, we will be trapped by complacency, group think and rigidity. We must avoid this danger.

We must create a culture where we place

1. relevance and engagement alongside compliance and standards
2. speed and responsiveness alongside reverence for process
3. celebration of excellence and diversity of ideas alongside conformity.

We must begin to think of ourselves as a network of communities with Staple Inn as the spiritual hub, supported by a proactive, responsive, and motivated Executive Team at Holborn Gate.

In this regard, I am grateful to Grahame Stott, the Chair of our Management Board, who is leading energetically behind the scenes to alter our governance arrangements in support of this vision, and in service of our membership and our strategy.

I want to use my Presidential term to ask all of us to go forward with courage and imagination and not to go back to the old ways. To be more agile, to judge when to be looser, when to be tighter, and to create an ecology where our members are engaged, and our leaders are engaging.

The DNA of an Actuary

Now, I would like to talk about the DNA of an actuary, as I believe our DNA must be the fountainhead of the IFoA's new strategy.

Many of us joined the profession because we were encouraged to do so by our teachers or career advisers. We were considered capable in mathematics in our school and university life. We did not choose engineering, physics or mathematics, because we wanted to apply our skills in an organisational or a business setting. Above all, we wanted to be rewarded well, not just financially but also by being given interesting problems to solve with our mathematics.

We work in life and general insurance companies and in the pensions industry. We work in investments and banking, in digital start-up companies, in data science and management consultancies. Our aims in all jobs are to apply our mathematics in a practical setting and work in a place where we can enjoy a rewarding and fulfilling career.

What unites us is this common DNA. It is not about life insurance, general insurance and pensions. It is about using our mathematics to solve practical problems.

This DNA is lucidly explained in Chris Daykin's Presidential address in 1994 #6; he said our distinctiveness is applying mathematics, especially in the financial context. And he warned that we must not be lured by the siren of generalism, lest we lose our distinctiveness. And he emphasised that we are not only mathematicians. We integrate various disciplines around mathematics, and we

are members of a profession committed to communication, ethical standards, and the wider public interest.

The new IFoA strategy brings to life what Frank Redington said more than 50 years ago and what Chris Daykin said more than 25 years ago. The new IFoA strategy is our new narrative of how actuaries can make a difference in a digital age and in a future fraught with uncertainty and opportunity.

VSMD Strategy – Imagination

The new IFoA strategy has four components VSMD. V.S.M.D. Firstly, V is for Vision of the IFoA Actuary. S is for Skillsets. M is for Mindsets (and Culture* of the Profession). Lastly D is for Domains.

In the last 16 months, your Council and Executive Team have worked hard with John Taylor, Louise Pryor, Jules Constantinou and me to create this narrative.

In the V part of VSMD strategy, we made the following six salient points regarding the Vision of the IFoA actuary

1. One, the digital revolution is transforming our economic landscape and our traditional domains. Our traditional roles, alone, in life and pensions will no longer be enough to secure our future as a profession. We owe to our members and to ourselves a redefinition of our capabilities, so that we can navigate the emerging paradigms of the future with confidence.
2. Two, most of our members still work in life and pensions in the UK. And in these fields, they play very prominent roles. Our expertise and reputation have largely depended on this group. The aim of the VSMD strategy is to make sure they and the generations who come after them, can continue to thrive as the industrial landscapes they work in are redrawn. And we want to make it absolutely clear, that they and the work they do today remain central to the IFoA.
3. Three, new roles for actuaries in existing and new domains have arisen in the UK and elsewhere, and we must take advantage of this development. This is our opportunity to re-embrace and re-engage many people with our DNA back into the IFoA. This will help us create a diverse, exciting, global and thriving profession, and open up opportunities for all.
4. Four, in line with our public duty, we must apply our actuarial skillsets more decisively, deliberately and ambitiously to achieve social impact goals of our time for e.g. in climate change, ageing, AI and ethics, economic and health security, and now more topically, epidemiology and the long-term consequences of pandemics. This will open up exciting vistas for our younger actuaries whose concerns are increasingly about social impact and making a positive difference in the world we live in.
5. Five, our tradition, training and culture have conferred on all of us an enviable character and an essence which is uniquely the IFoA's – this character and essence speak to the high-quality of our education, our reputation for sound business judgement, and the high ethical standards anchored in our beloved Actuaries' Code. The VSMD strategy seeks to protect and enhance this character and essence as we undergo our transformation.
6. Six, what the VSMD strategy seeks to change is Skillsets. And we seek a serious shift in Mindsets and Culture of our Profession. We also seek to embrace the many new Domains where our collective DNA can thrive in.

Skillsets – S of VSMD

Now I come to S of VSMD, denoting the Skillsets of the profession. We need wider, more relevant and contemporary skillsets to tackle the opportunities made available by the digital revolution and the social impact challenges of our time.

The VSMD strategy calls for two specific things on skillsets

1. Firstly, an extension of the current core syllabus and lifelong learning to include data science, machine learning and artificial intelligence comprehensively.
2. Secondly, an education and training in new and relevant skillsets which will enable our students and members to work increasingly in newer, diverse and exciting fields. These skillsets are related to digital technologies, social platforms, behavioural sciences and quantum leaps in science and innovation, impacting the structure of our traditional industry. To this I will add a range of subjects which support our efforts in new domains like banking and our higher aims in the area of social impact like climate change and sustainability.

Mindsets and Culture of the Profession

Now I come to the M of VSMD – denoting the Mindset and the Culture* of the Profession required in a world of rapid change and uncertainty.

This is the most elusive and yet most critical component of our strategy.

We want to promote and bring out more explicitly the following qualities in our profession

- Courage
- Curiosity
- Adaptability
- Judgement
- Imagination
- Growth Mindset

The Growth Mindset #7 is a specific psychological term which embraces perseverance, experimentation and continuous learning.

Our positioning as a brand, and as a profession, must change. We must have the wisdom and the self-awareness to realise that our culture is our own creation, and they are a manifestation of our behaviours and practices accumulated over the years. We must be bold in going beyond the practices and processes which are unhelpful or which stand in our path.

We must remember what Frank Redington advised us more than 50 years ago.

We must not be weighed down by our besetting virtues of accuracy, cautiousness, consistency and reticence. We must make room for new ones – courage, curiosity, adaptability, judgement, imagination and the growth mindset.

We must promote, exemplify and celebrate these new values, profile these values and encourage these values and attract new members with these values. If we do all these consistently over two-three years and make sure they stay in the foreground in our Council and Management meetings, and in all our deliberations, we will create the flywheel for change.

Changing mindsets and culture is not easy, but it is possible. In our case it is urgent and necessary. We have a compelling reason to change. It is the only way we can secure our future. Let us do this with courage and imagination.

Domains

Now I come to the D of VSMD denoting Domains. This is a call for an open, imaginative and creative exploration of the Domains we can work in and influence, given who we are and our DNA.

We want to be recognised as actuaries and analytical problem solvers, not only in our core fields but also across a wide range of domains, wherever our unique attributes can add value.

Actuaries are moving into spaces beyond traditional fields for e.g. in banking, health eco-systems, fintech, technology and consulting firms, and many more. We must also recognise the rise of artificial intelligence and data science will create many new and exciting roles within our traditional domains.

We must support our actuaries in seizing these opportunities with confidence.

So, with this, I have given you the highlights of our VSMD strategy.

This VSMD strategy applies internationally, as we seek to nurture our rising influence in South East Asia, India, China and Africa. The IFoA will strive to meet our members' expectations irrespective of their location, domain or career stages. We have to remind ourselves, that whilst we are immensely proud of our British heritage, we are a global organisation. This is especially pertinent today as almost one-half of the IFoA total membership are based outside the UK.

The VSMD strategy speaks to both our heritage and our future. It is a narrative that speaks to our desire to be a learned society, providing thought leadership at the heart of public interest. A narrative which supports the exploration of social issues of our time and helps us make a difference in this world.

A narrative regardless of whether you are UK-based, or Africa-based, or Asia-based, you can commit to. A narrative regardless of whether you are working in life or health insurance, in pensions or in risk management, in general insurance or in fintech, in investments or banking, in management consultancies or in regulatory bodies, you can subscribe to.

Because this is a narrative about how our common DNA as actuaries can be applied in many, many different ways.

I will be publishing a longer version of this VSMD strategy as an appendix to my speech.

Thought Leadership, Uncertainty and Imagination

Now I would like to draw your attention to the bigger world beyond the IFoA and talk about thought leadership.

Our current professional practice is anchored on neoclassical economics and its belief in rationality and efficiency of markets. And that risk is best measured by 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 have an incentive culture which exacerbates inequality and thrives on information asymmetry of opaque products. Our probabilistic risk models do not capture the uncertainties inherent in the complex systems we live in. 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 environment.

A lot of what we do is precious: professionalism, integrity, technical competency and compliance and ethics. In themselves, they are not sufficient: effectiveness and diligence are unhelpful if they operate within an unsound paradigm or are directed at a wrong or too narrow a purpose. As individual actuaries, and as individual agents, we may be making the “right” or “correct” decision within a narrow regulatory framework, but what use is that if the framework is resting on multiple fault-lines?

We pride ourselves as risk professionals. How can we be effective risk managers and make financial sense of the future when we cannot make sense of the present?

If we are advising on risk in a system which is unsustainable, and if we do not call this out, we are not doing our job. We must speak up, as our actuarial code requires us to do. The regulatory system and the financial sector have a social purpose, but regulatory unintended consequences and the financial sector’s shortcomings are now a matter of extensive public debate. The IFoA and the profession can be braver and have a stronger voice and use our influence to help reform the system.

These societal questions are questions our profession cannot ignore. We must engage more widely and more confidently to influence reforms. We must truly step outside our shadows.

In the same breath and with humility, let us not pretend we have all the answers. We do not. No one does. But we can help to rethink the questions through the long-term and risk management lens which are our unique strengths, and which characterise the history and tradition of our beloved profession. Members of the IFoA, this is not a choice. This is our obligation.

This will be a large, collective and long-term effort. It is not just about economic theories and their assumptions. It is about culture. It is about anthropology. It is about navigating between small world thinking and large world thinking. It is about complex adaptive systems. It is about risk. It is about uncertainty. It is about how actuaries can bring judgement to bear. It is about reimagining what can be deemed possible.

We must encourage and bring into the foreground thought leadership in many paradigms. Climate Change and Sustainability, New Economics, AI and Ethics, Systems Thinking, Uncertainty and Judgement: all these are inter-linked. We truly have to navigate across the paradigms.

We need to engage debate with all parts of the IFoA, design a research agenda to fit our purpose, and be more assertive in our regulatory and policy impact. Our social purpose and our position on environmental, social and governance issues must be central to our actuarial thinking and be fully integrated into the profession and our education.

For this to happen, there is a strong need for change in our mindset. We must believe our views matter. We must stand up and be counted. We need to be braver. We must argue for changes in the name of public interest. We must believe that our mathematics enable us to work within the system, but our capability and judgement oblige us to work on the system. Only then, can we call ourselves professionals.

I would like to make a call today to re-engage actuaries who have felt that the IFoA has lost its way in this regard. I invite these actuaries to come forward to participate more actively in the revival of thought leadership in the profession. Please be prepared to step forward, to do for the profession what you expect the profession to do for you.

I will do as Geoffrey Heywood declared in his 1972 presidential address “to give the Institute leadership directed with all the energy which I am able to muster” #8 towards this effort.

Close: Agenda for Action. Uncertainty, Culture and Imagination

In closing, I would like to summarise the five pillars we need to pursue with thought, care and urgency

1. One, we revive the spirit of a learned society and bring thought leadership to the foreground.
2. Two, we implement the VSMD strategy, with pace and urgency.
3. Three, we encourage the IFoA Executive Team, led by Stephen Mann to accelerate their cultural transformation.
4. Four, we reappraise, with courage and imagination, the governance arrangements of the IFoA.
5. Five, as a profession, we embark on a cultural transformation to create room for courage, curiosity, adaptability, judgment, imagination and a growth mindset.

Members of the IFoA. We are at an inflection point. Let us do all these with courage and imagination. And let us remember, “The actuary who is only an actuary is not an actuary.”

The Institute and Faculty of Actuaries is a great professional body. It is our professional body. It is a professional body of actuaries, by actuaries and for the public interest.

The best is yet to come.

Thank you for your attention.

Tan Suee Chieh
18 June 2020

Appendix - VSMD Strategy document. Adapted from IFoA Council papers March 2020

Notes and References

- #1 Peter Clark Presidential Address 25 September 2000 B.A.J. 1, 1-32 (2001) p3
- #2 Jeremy Goford Presidential Address 1 July 2002 B.A.J 9 1-33 (2003) p4
- #3 Nick Dumbreck Presidential Address 25 September 2006 B.A.J 13. I (1-21 (2007) p6
- #4 Ronnie Bowie Presidential Address to the Faculty of Actuaries 6 October 2008 B.A.J 15, I, 13-29 (2009) p15
- #5 Frank Mitchell Redington Gold Medal Presentation JIA 94 (1968) p348
- #6 Chris Daykin Presidential Address 27 June 1994. (B.A.J. 1, I.5-36 (1995) p11-p12
- #7 Dr Carol Dweck. Mindset, Random House Publishing Group 2017 Edition p214-p221
- #8 Geoffrey Heywood. Presidential Address 27 June 1994. JIA 99 (1973) p4