



To Our New Subscribers

Thank you to our new subscribers and welcome to the third issue of the ARM quarterly newsletter! We hope to make this publication valuable to you with several brief articles that provide unique insights, some ideas about how to address specific problems and introduce potential risks that may not yet be on your radar.

The primary authors are Dave Ingram and Max Rudolph. In this issue we add David Ensor as a guest author. We are active participants in the risk management, actuarial, investment and insurance spaces, and have been for many years.

Subscribers can suggest topics for articles and ask questions of the authors during our follow-up webinars and discussion sessions. Ever cognizant of regulatory requirements, leveraging them to add value to your company in practical ways will be our focus.

Published by Actuarial Risk Management (ARM), the Strategic and Risk Solutions for Executives (SRSE) subscription will consist of two paid tiers. The newsletter is free to all.

A webcast is available at either the company or individual level, as well as a follow-up one-on-one discussion with the newsletter authors that extends the general webcast. More info can be found at the final page of this newsletter.

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Jargon - Have you been framed...?

“The limits of my language means the limits of my world.”

— Ludwig Wittgenstein

Jargon is supposedly a neutral term (although it has assumed pejorative overtones), used to describe a particular sub-set of a language whose use is shared by a particular group, based upon their profession or interests. Here are two of the definitions from the American Heritage Dictionary:

“The specialized language of a trade, profession, or similar group, especially when viewed as difficult to understand by outsiders; and

Nonsensical or incoherent language.”

Militaries have jargons (polite, DAP, or Deltoid Auxiliary Protection, a.k.a. shoulder armour; and impolite -SNAFU...); doctors have jargons (myocardial infarction, a.k.a. heart attack); lawyers have jargons (affirmation); and so do business people and economists, including (re)insurers (“manuscripted”...) and actuaries (“normal cost”).

Jargon is intended to describe a concept, fact or item as clearly and succinctly as possible- to act as a form of shorthand between its users.

There is just one problem- it often distorts or inhibits clear thought, as well as acts as a barrier to communication and understanding outside the “insider group”.



In a famous essay (*Politics and the English Language*- published in 1946), George Orwell argued (amongst other points) that the use of “slovenly” language degraded the ability to think clearly.

The problem with jargon is that it can not only obscure or deflect meaning, but it also causes those using it to fall into the trap of “framing”, meaning that the use of a word or phrase inhibits the ability to think beyond the boundaries of what we think the jargon means.

At present, for example, the term “stagflation” ([economic] stagnation coupled with inflation) has returned to prominence as an adequate descriptor of the current economic environment, while what seems like a neologism, “infession” (inflationary recession) is also increasingly popular. Apart from their ugliness, can either



Jargon (cont'd)

word truly describe what are complex circumstances? There is the risk that confining the examination of reality to whatever meaning either term is seen to have will limit the ability of governments and central banks to act without bias or prejudice, because Term X leads to the unquestioned decision to require use of Tool Y from the existing “toolkit”, rather than an examination from first principles of what might actually work best.

Meanwhile, in the world of risk management we “measure” risk. The term seems useful, but is it really? Measurement tends to imply that a level of certainty, or quantum, can be obtained, thus giving a false sense of comfort and security. Whereas, by definition, we are trying to “measure” risks which we expect to exist in the future, when, very often, there are no facts or certainties, merely opinions.

Far better, perhaps, to use the term “assess” or “estimate”, as they imply an element of uncertainty which seems appropriate. After all, as the Great Financial Crisis amply demonstrated, many carefully constructed and calibrated risk models not only failed to “measure” anything, but were actually harmful because they inhibited the approach of any thoughtful risk manager in asking: “But what if we are wrong?” Using the term “measure” causes mental “framing”, and, ironically, a false sense of security that a risk is fully understood.

In short, jargon may have valid professional uses for the mundane, predictable or clearly bounded. It is, however, a “thoughtcrime” when used beyond its limits. Like Orwell, we should try to use appropriate language, not something that may have outlived its usefulness; acts to obscure; or degrades properly-informed decision making.

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While insurers have been challenging by low interest rates and the pandemic, the next few years will see a radically changing environment for insurers. We will be using this provocative platform to identify emerging risks and delve into what we see as the drivers of future success.

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