1939 PRESIDENTIAL ADDRESS
Last November the Casualty Actuarial Society did me the great honor of electing me its President. I want to take this, my first, opportunity of expressing to the Society my appreciation of the high honor and of stating that the responsibilities of the office, of which I am fully conscious, I shall do my best to undertake and that the interests of the Society will always be looked after by me to the fullest extent of my powers—and I trust that my efforts will be a worthy continuation of the high standards set by my predecessors.

When I came to prepare this address, the first question that raised itself was "What is the object of the President’s address?” Is it to fill up part of each session or is it merely to continue a tradition that got started? The answer to each of these suggestions is obviously "no," for if the President’s address has no value in itself then something more valuable should be found to fill up the sessions and the tradition is not worthy of being continued. Neither does it seem that the reason for such an address should be to make some valuable contribution to actuarial science, for first of all it is impossible to expect that the President for the time being shall be able to make such a contribution twice a year and secondly if he has such a contribution to make he can always present a paper containing it. Upon reflection, I think it will be plain that the object of the address is rather to review the status of the profession either as a whole or from some particular angle, or else to point out some outstanding or new aspect of our science to which the attention of the profession should be drawn, for it is the privilege and duty of the President, when necessary, to urge some new point of view on the profession or to indicate some new direction in which actuarial activity should be extended.
The President's address could even, and perhaps should from time to time, be the occasion of the taking of stock of the Society and if the President finds that certain things that are not being done should be done, or that are being done should not be done, he should call on the Society to consider these things. With these ideas in mind, I took the occasion to reread a good many of the former addresses of your Presidents and found, as you will find if you also reread those addresses (and incidentally I believe it would be a good idea for you to do so from time to time) that all the aspects that I have just mentioned of a review or a commentary have been adopted in some form or other by my predecessors in the presidential office. Incidentally, I might say I have been considerably concerned at the task of maintaining the high standard of previous presidential addresses.

In accordance with the foregoing, which leaves a wide latitude to your President, I have not found it hard to think of a great deal to talk about as regards various aspects of the profession. Therefore, in this address I am not going to present any valuable contribution to our science but I am going to touch on various general aspects of the profession and my remarks will be quite general and will, I hope, perhaps furnish the occasion for the members of this Society to think a little more deeply than we usually have time to do about the fundamentals of our professional activities which should always be in our thoughts at least subconsciously if not consciously.

To start such a general review I should, I suppose, talk briefly about what constitutes an actuary, and particularly a casualty actuary, and discuss his evolution. However, into the early history of actuarial science and of the growth of the body of men with specialized knowledge and training (now known as actuaries) I will not go at length. In many of the presidential addresses of Actuarial Societies, both life and casualty, you will find traced the derivation of the name actuary, and an account of the development of the modern actuary. I was recently reading the address to the Institute of Actuaries in England of its new President, Colonel Oakley. In this he aptly-characterizes actuaries as “dealers in futures.” He pointed out that actuaries are concerned with future mortality, future rates of interest, future expenses, future margins. He was thinking, of course, principally of actuaries
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dealing with life insurance but, nevertheless, his criterion of an actuary is a true one for all actuaries, including actuaries in the casualty business, actuaries dealing with social insurance and actuaries dealing with any other branch of human endeavor, as well as life insurance actuaries. It was because of this essential concern of actuaries with the future that when the casualty business started on its meteoric career in the second decade of this century, it was recognized that actuarial training would be helpful if not requisite to deal with the problems that were cropping up in every direction. There was at that time available very little actual experience and what there was seemed ill adapted to elucidate the future that was looming ahead. What were the correct answers to the questions on rates, reserves, etc.? What in other words was to be done as regards the future? Here was a situation that obviously called for actuaries and hence was born the Casualty Actuarial Society. It happens that in this country those actuaries who were called on to deal with these new and growing problems decided that their interests and those of the business would best be served by a separate forum where they could exchange views and help one another and so this separate forum was set up in the shape of the Casualty Actuarial Society. In most other countries, such a separation was not effected, perhaps because of different local conditions, perhaps because elsewhere the problems did not arise so fast and the existing Actuarial Societies could find time to give them adequate attention; nevertheless, the fact remains that in this country a separate society was set up and this has without doubt been of considerable aid to the actuaries, called on to deal with casualty problems, as well as to the casualty business as a whole. Those of us who are acquainted with the casualty business in parts of the world other than the North American continent realize that the technical handling of casualty business is far more advanced here than elsewhere and often think that elsewhere more progress would have been made if separate societies had been established to foster the purely casualty end of actuarial science.

In the early days of our Society, compensation insurance presented the greatest number of new and pressing problems. There were lots of them. It is difficult for us now-a-days to realize just what it must have been like for the actuaries who had to deal
with these new questions. The actuaries of those days had no precedents to go by, no established methods, no statistical information—in fact, they had practically nothing to go by except their wits and training; so they energetically set to work to find solutions to their problems. The younger members of the Society may realize to some degree what these pioneers were up against if they reread some of the earlier numbers of the Proceedings, bearing in mind that what is in the Proceedings is the finished product (if I may so term it), and that there does not appear in the Proceedings any record of the hours of thought and toil that the pioneer actuary went through before he was able to arrive at what eventually appeared in the Proceedings. It may seem to the younger actuary, rereading the earlier numbers, that the pioneers were rather perverse at times, paying a lot of attention to what we now know are, or at any rate regard as, trivial points, while on the other hand the pioneer skipped lightly over what we now believe are the essentials of the questions. However, this is always the way with pioneering. A high-school student now-a-days does mathematics, which would have baffled a first-class mathematician of a few centuries ago; and college students take in their stride whole fields of thought unknown to leading thinkers of a generation or so ago.

How did these pioneer casualty actuaries and their successors make out? On the whole they did quite well—the casualty business has been growing rapidly and very complexly, and but for the work of its actuaries, even its present state (however far from perfect it may be) would not have been attained. This brings me to another observation. When evaluating the degree of success of actuaries in the casualty field we must recognize the quite considerable differences between actuarial problems in the casualty business and in the original field of actuarial effort, namely life insurance. In essence, life business involves much more technical work, that is to say more purely actuarial work. The deals in futures, that I referred to above, are spread over a long period of time and it has been possible and desirable for the life actuary to use more margins in his calculations. Casualty business involves less technical or mathematical work and essentially deals more with what I may term "humanities" and quicker results are looked for—particularly as the economic and social
factors that casualty business deals with change quite rapidly and have particularly done so during the last twenty-five years. Perhaps under different conditions, for instance a more stable world, or had the temperament of the inhabitants of this continent been less energetic, results similar to those attained in casualty insurance could have been reached by slower and longer range methods. Something of this sort has been experienced in other parts of the world, for instance in England, where while the growth of casualty business has been almost as rapid as here, it has so far been along more conservative lines; coverages and rates and conditions generally have not changed as rapidly as in this country. Actuaries here might have preferred some such more steady development but they were not the choosers. They have had to grapple with the problems as they arose; they have had to endeavor to make rates or reserves or what else to fit the present or the near future in times of great flux. They have, of course, tried to influence insurance opinions to take the more reasonable road, and not without success. The really technical aspects of Casualty Actuarial work have been naturally dealt with more successfully than have the social problems to which the business has given rise, but that, of course, is true of other actuarial fields and indeed of all modern life. Man has achieved great technical accomplishments; he can build bridges, battleships, airplanes, successfully, but he has not displayed the same ability in managing himself, as is evidenced by the present state of the world. To come nearer home, we find in life insurance that actuaries have had least success when they have had to deal with the aforesaid "humanities"—for instance, look at disability coverage, which has been wrecked by its impact with factors not at all unfamiliar to casualty actuaries (I hope our friends—the life actuaries—will not resent this reference. Some of casualty's ventures into similar fields—e.g. non-cancellable accident and health business—have had similar unfortunate results). So the casualty actuary should not be too discouraged at what he may consider his apparent lack of success in dealing with the social and economic aspects of his work. As a matter of fact, the casualty actuary's training in dealing with such problems is precisely what is needed in the modern world. I think that serious thinkers will agree that ultimately the complex problems of social and
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government planning, that is politics in its true sense, will have to be handled on more scientific lines. Proper plans will have to be made to deal with the intricacies of our civilized life. These plans will take the place of the existing lack of method consisting too often of day-to-day expedients foisted on a restive population by so-called politicians with none of the required technical training and ability. And who is there more fitted than the actuary to make such proper plans? His will be the privilege of using his knowledge and experience, his actuarial tools and methods, so as to solve our modern social problems, our problems of living together in harmony and cooperativeness; for this is sure, that such problems will be solved and they can be dealt with only by scientific methods that are in essence those we use and know as our actuarial ones; and if actuaries do not make it their business to take a fuller part in the life of the country along the lines of true scientific planning, some other body of men will and they will attain success only by the use of actuarial methods; in other words, only by becoming actuaries.

However, this is perhaps going rather too far into the future. What is the more immediate prospect? Up to now, despite the efforts of some of us to diversify our proceedings, Workmen's Compensation problems have occupied a large proportion of our time—that is of the Society's time. I think that other kinds of insurance will and should claim an increasing share of our attention. Recent developments in lines like Automobile insurance indicate the need of actuarial methods there and perhaps reflect our lack of attention to this field. Most of the other casualty lines—Miscellaneous Liability and Property Damage, Burglary, Bonding, Boiler and Machinery, will and should receive an ever-growing amount of actuarial assistance. All of which must result in continual improvement in the status of the actuary in casualty business. And as to that, here again let me say—don't let us be discouraged about that status. The standing of actuaries in this country is progressively getting better. In life insurance, while actuaries have not perhaps yet attained the preeminent position they occupy in some other countries, they are getting there. Casualty actuaries have been engaged in their particular branch of the profession for a comparatively short period of years during which the size of the business has expanded enormously and where
a lot of emphasis, perhaps too much emphasis, has been placed on other aspects such as the "selling end." During this period, as I have mentioned above, many things have been done that perhaps the actuaries would have preferred should not have been done—at any rate, the business finds itself with still a large number of problems on its hands, many of which we know the actuary will eventually have to solve. Let him, therefore—this casualty actuary about whom I have been talking—continue to grapple with these problems, knowing full well that he has an enormous advantage in the possession of a scientific mind and of scientific methods; with these he will, on his merits, be called on to play a larger and most responsible part in the business of casualty insurance.