

## ADDRESS TO NEW MEMBERS—MAY 19, 2003

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Thank you, Gail, for that most gracious introduction.

But most importantly, thank you for giving me an opportunity to give a little something back to the CAS today.

It's hard to believe, but it has been twenty-five years since I sat out there...pumped up with the confidence borne out of my new CAS designation and frightened out of my mind contemplating what the rest of my career would bring!

And if you can stand my ramblings for a few minutes, I'd like to share with you what I have learned about life during this last quarter of a century.

But, first, let me begin by personally congratulating all our new Fellows for their significant accomplishment.

That said, however, I would be terribly remiss if I didn't take a moment to acknowledge those people who have provided the tireless, behind-the-scenes support that has proven to be invaluable in your quest for the FCAS designation. Please join me in a raucous round of applause honoring the spouses, children, and parents of our New Fellows.

Now...indulge me for a few moments while I share with you some personal and professional "secrets" of success.

In this era of Enron-like scandals, insatiable greed and corporate misgovernance, it is easy to question the very existence of ethics and morality in the business world. To me, these and other recent aberrant behaviors are clear signs of a culture unsure of its definition of success. Therefore, this a perfect moment in your career, as you are setting future goals, to spend some time establishing parameters you can use to identify "success."

Looking back over my career, I'm reminded of the metaphor "Success is a journey, not a destination." Misdirected goals mistakenly measured by the amount of your compensation, the loftiness of your title, or the number of people reporting to you should never be confused with success. Rather, the manner in which these things were attained and how they are put to use are much better indications of a productive life.

For example, I've been very fortunate to have experienced quite a bit during my career and have had the privilege of meeting some real "movers and shakers" around the world. However, you might find it interesting to learn that, without any doubt, the most successful person I have ever known was not a "Titan of Industry." In fact, my role model worked for the New York City Transit Authority for thirty-five years, never earned more than \$40,000 a year and yet still was able to support a family and inspire a very incorrigible son. My father could never be accused of being "rich," but he left an invaluable inheritance of honesty, laughter, and love. The "richness" in his quality of life was evident every day to everyone with whom he came in contact and that richness could never be measured by the IRS. I learned very early that, whether your career is associated with white collars, blue collars, or any color in between, you should never be ashamed of living a life that cherishes integrity, hard work, and dedication to family. External recognition is gratifying but, at the end of the day, self-respect and self-satisfaction are the most important metrics of a successful life. So my first piece of advice to you would be to set absolute ethical standards and have them guide you without compromise throughout your personal and professional lives.

Now please don't infer that I believe ambition and career development are evil. Coasting through life without really testing the boundaries of your talents will lead to a very unfulfilling existence. I was blessed early in life to learn that your personal life and your career do not have to be two diametrically opposite

forces, repelling each other and forcing daily “either/or” decisions. I have clearly found that, in general, people who are able to enjoy their personal life tend to also perform extraordinarily well in their business life. Of course, there will always be pushes and pulls between the two. Forgive the mathematical reference, but anyone who has studied the solution of simultaneous equations realizes that an optimal solution is rarely the one associated with setting one variable to its maximum and letting all the others go to zero. I often feel as though learning from experience is simply nothing more than living through these iterative attempts at finding the right balance along this optimal “Frontier.” God knows it’s not easy. Sometimes it means taking the red-eye to make it home for that parent/teacher conference or rescheduling the dinner with that important client just to be there for that special anniversary. You should never be ashamed or embarrassed to do the right thing. Remember, no one has ever seen a gravestone that said, “I wish I had spent more time in the office!”

I realize that it may be an unfair characterization, but it seems to me that professionals, particularly those in financial services, are unusually prone to stressing monetary rewards. Clearly you have invested thousands of hours of your life to get to this point today and it would be wasteful not to reap the benefits accorded those with your skills and training. However, remember that, while promotions and titles may describe “*What*” you are, it is your adherence to ethical behavior that will ultimately determine “*Who*” you are.

In many ways, I envy this new class of Fellows. You find yourself at a point in time that offers unprecedented opportunities to effect an enormously positive influence on your industry and your profession. It is belaboring the obvious to say that the recent financial performance of the property/casualty industry has been abysmal. And don’t think this is our little secret! My son was finishing up his MBA two years ago and the class was reviewing “Profitability” among various industry segments. He approached me uncomfortably one day to innocently ask why,

over the decade of the nineties, the average annual return on equity for diversified financial services was 17.4 percent while, over the same period, the ROE for property/casualty insurers was 7.5 percent. The only thing more embarrassing to me than answering that question was that I felt obligated to begin, “Kevin, you first have to understand that the 7.5 percent for the P/C industry was overstated!”

That story doesn’t end there. A year later Kevin called to tell me that he had just passed his second CPCU exam. After congratulating him, I reminded him of the ROE discussion and asked, in light of the obvious differences, why had he chosen to enter the insurance business. His answer provided me with a perspective on our industry that I have since shared with every actuary, underwriter, agent, and client that will listen. Kevin looked sheepishly at me and said, “Dad, I hope you’re not offended...but I was looking for the best career opportunities and it just doesn’t look like the sharpest knives in the drawer are in the insurance industry.”

Now, actuaries can timidly hide behind vacuous arguments such as “We couldn’t control what the underwriters charged” or “Management made all the decisions regarding what was held in reserves” but the bottom line is the actuarial profession must accept a significant share of the responsibility for the horrendous financial results of the past few years.

Today, our *Industry* is in desperate need of discipline, courage and leadership. Our *Profession* is ideally suited to drive sound financial management and yet we still hide under the blanket of “providing information” instead of driving change and forcing objective decision-making. I challenge each of you in the CAS to help stop our industry from mindlessly accepting the inevitability of “the Cycle.” Seize this moment to fight the lemming mentality of “we are only as smart as our dumbest competitor.” We must influence senior management to develop strategies, create sound long-term business plans, and implement realistic metrics to assure that we ultimately achieve results of which we can all

be proud. Your Fellowship is merely a license to practice. Your behavior will determine whether you are really a professional. Your generation has the chance to lead this change...don't pass up this important opportunity.

Finally, I urge you to give back to your profession. You are now members of one of the most elite organizations in the world. Although you have personally worked hard, a large part of the esteem in which you are now held is derived from the accomplishments of all those actuaries who came before you. They gave generously of their time to help create a profession, which is arguably the most respected in our industry. You have now been given the very serious responsibility of passing that legacy untarnished on to succeeding generations.

I honestly don't think I have told you anything this morning that you didn't already know. Sometimes you just need to be reminded of what you really feel. To prove that point, I'd like to leave you with three simple questions:

If you were told you had only five minutes left in your life and you could make only one phone call:

#1. "Who would you call?"

(By the way, if anyone out there answered, "Check my e-mail," I'm afraid I've been wasting my breath on *you* for the past ten minutes!)

So, #1. "Who would you call?"

#2. "What would you say?" and,

#3. "*What are you waiting for?*"—Speak to that person today and tell them how you feel!

See, you've got your priorities straight. Now make sure you live them!

Good luck and thanks for your attention.