

RELATION OF THE CASUALTY ACTUARIAL SOCIETY
TO OTHER SCIENTIFIC ORGANIZATIONS AND
TO THE INSURANCE WORLD

BY

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The relation of the Casualty Actuarial Society to other scientific organizations, and to the insurance world, presents a very interesting field for discussion and reflection. The Casualty Society, according to its constitution, is organized for the promotion of actuarial and statistical science as applied to the problems of casualty and social insurance, and if the functions here outlined are taken literally, the Casualty Actuarial Society should properly have been organized 1000 years before either the Actuarial Society or the American Institute of Actuaries, instead of following them by a generation or a decade. While we naturally look upon the Actuarial Societies as the founders of scientific study in relation to insurance, it is probably because life insurance was put upon a scientific basis first, and not because life insurance came historically before casualty insurance. Mr. Walford in his prize essay on the History of Life Insurance in the United Kingdom, states that during the Anglo-Saxon period, 827-1013, there existed in London a guild, the primary object of which was the recovering of stolen live stock or slaves, while the early contracts of life insurance were based alike in form and expression upon those adopted in marine insurance. Life insurance went through three periods—the experimental, speculative, and the period of scientific exactitude. In the experimental period the class of life insurance chiefly in use was that of insuring marines, or masters of ships, against death or captivity during the prosecution of their voyage, and insuring merchants against captivity by pirates. If life insurance was then in the experimental period, how much more was casualty insurance in such marine coverage.

The Casualty Society came into being ten years ago, with the scientific period of life insurance well advanced, and was free to avail itself of all the exactitudes already developed and in practice. Things as a rule do not just happen. There is

generally a primary underlying cause not visible to all, not always even visible to the founders, but apparent to the historian, who reflects upon cause and effect, and the Casualty Actuarial Society did not "just happen" ten years ago. Public liability laws were being amended, workmen's compensation laws were being enacted, so that these very fascinating subjects were developing from their experimental period through their transitional period, and into a period of scientific exactness, but no general avenues were open for their development. Up to 1914 little appeared in the TRANSACTIONS of the Actuarial Society relating to casualty insurance. In 1890 and again in 1905 Mr. W. S. Nichols discussed the actuarial elements involved in fire insurance, but from that time until 1908 nothing appeared on casualty lines. In 1908 a paper appeared by Mr. Messenger on Health Insurance. It was not until 1911 that compensation insurance or schedule rating appeared in any of the TRANSACTIONS. During the years 1911-14 no year passed but that Mr. Mowbray or Professor Whitney presented their contributions. They were all in connection with workmen's compensation insurance, except Professor Whitney's paper in 1911 on the Theory of Schedule Rating, particularly with reference to fire insurance. During the years 1908-1914 inclusive, only nine papers had been delivered in the Actuarial Society relating to casualty topics, of which six related to workmen's compensation. Here, then, was a new subject coming to the front quietly, and yet effectively. Those particularly interested were not getting the full discussions of the problems in the Actuarial Society, and had no established means of consulting one with another. The need for concerted action was felt, and in 1914 this Society was organized with 97 charter members. Since that time only two papers have been presented to the Actuarial Society covering workmen's compensation insurance, Mr. Olifier's paper in 1915 and Mr. Woodward's paper in 1923, both concerning the valuation of death benefits under the New York Compensation Law. There was a paper on Social Insurance and several on Accident and Health Insurance, but Workmen's Compensation and Casualty Insurance generally have been left for the Casualty Society. Has the Casualty Society accepted the responsibility? To date it has received 39 papers on Workmen's Compensation Insurance, 9 on Accident and Health, 4 on Automobile Insurance, 6 on

Aircraft, Burglary, etc., 2 on Pension Funds, 8 on Frequency Curves and Statistics, 6 on Administration of Casualty Companies, Allocation of Expenses, Loss Analysis, etc., and one on Unemployment Insurance. Its membership has grown from 97 to 246.

In talking to the Chairman he asked me if I would intrude upon the subject of the gentleman who was to be the next speaker but who unfortunately is not here, and discuss the subject of the responsibility of the members of this Society. Do those figures come home? Do they mean any personal responsibility, particularly to some of the younger members who are making a close study of these subjects? During these ten years have you allowed the charter members to present their studies while you absorb their wisdom or have you buckled down? Have you appreciated the responsibility to the Society and to the company, your own companies, by endeavoring to study and if necessary specialize on certain subjects and present your findings to this Society? It is a duty that is old and it is a duty that will reflect more credit to you and will give you more advantage and more satisfaction and greater learning than you can possibly appreciate. At first it is difficult to attempt a paper, to start a discussion. You may be a little backward, you may feel that others are better qualified to do this. There is nothing to fear in opinions. All papers are treated fairly, honestly and scientifically and as time goes on you will take more interest in later papers submitted on the same subject and you will become a much more valuable member of the Society. You owe it to the Society as well as to yourselves to feel this responsibility.

Apparently a very definite need has been met. Those interested in casualty lines have found a common medium for the discussion of their general problems. The number of papers submitted and discussed shows that these problems have been continuous. Progress has been made, however, and the business is undoubtedly better off today because of the Society. What effect this organization has had upon the business of the companies themselves possibly cannot be expressed in dollars and cents or in ratios. What we do know is that in 1913 there were 54 casualty companies reporting to the Connecticut Department, whereas in 1923 there were 76. The assets of the

54 in 1913 were \$160,000,000; the assets of the 76 at the end of 1923 were \$1,132,000,000. The income has risen from \$129,000,000 to \$502,000,000, and disbursements from \$122,000,000 to \$458,000,000. In compensation insurance alone the net premium had increased from \$14,000,000 to \$118,000,000, while the net losses from claims had increased from nearly \$4,000,000 to \$74,000,000. In 1913 the report showed an income of \$14,000,000, and a net loss of \$3,700,000. This might seem a much more favorable financial return than the 1923 figures, when the income was \$118,000,000 and the claims \$74,000,000, but undoubtedly the latter figures are more within reason.

Have the companies suffered? In 1913 the surplus reported was \$29,500,000 whereas in 1923 it was \$128,000,000. Any business that can earn nearly \$100,000,000 in ten years is certainly not suffering from excessive losses, and any Society that can show such results for the companies of which its members are the technical advisers should feel proud of its record, even though it covers but a span of ten years.

The influence of the Society has been felt in other spheres. The scientific principles enunciated and demonstrated here have been applied wherever casualty principles have been required or permitted. The principles underlying adequacy of exposure, as brought out by one of our ex-presidents, as well as the practices and theory of experience rating have all been applied by life companies and by accident and health companies in some form or other and in the Group policy. In fact, the Group Life business has been brought before this body for its consideration. In addition, the discussions of accident and health insurance, and total and permanent disability benefits, have been followed closely by all interested.

Beyond this, the Society has co-operated with other societies, through the exchange of literature and through joint representation. It was represented by its president at the conference on Social Insurance in Washington in 1916, and assisted the Government through the service of certain members and officers in the formation and carrying on of the War Risk Bureau.

Perhaps in closing it might be well to reiterate a thought previously expressed, that while the Society exists as the result of a distinct purpose, and functions in a field exclusively its own,

the influence of other societies has nevertheless been an important factor. Many of the members of this Society have been trained in other societies and had learned the value of scientific discussion. They have learned that men could honestly differ on many questions, but that this did not prevent cordial co-operation in always seeking the truth. What success has attended the Society is largely due to this influence, until today the most bitter points of controversy can be brought here and discussed in a calm, scientific manner, with all united in a definite conviction to ascertain the real facts in the matter.

May this spirit continue; and with active co-operation on the part of all, with earnest respect for the other man's opinion, and with the renewed determination to ascertain the truth, the whole truth, and nothing but the truth, the future of this Society is assured.