

REVIEW OF THE SOCIETY'S FIRST TEN YEARS AND
A GLANCE INTO THE FUTURE

BY

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Ten years have passed since the organization of the Casualty Actuarial Society, originally called the Casualty Actuarial and Statistical Society of America. It is fitting that we should pause at the close of the first decade of our existence and review that which has been accomplished, with particular reference to the purpose for which the Society was organized. As stated in our Constitution, the object of the Society shall be the promotion of actuarial and statistical science as applied to the problems of casualty and social insurance by means of personal intercourse, the presentation and discussion of appropriate papers, the collection of a library and such other means as may be found desirable.

President Rubinow in his presidential address in February, 1915, stated: "There are so many problems and many of them are so urgent, that frequent meetings will be necessary. It is the intention of the Council to stimulate scientific work along definite lines, by selecting specific topics for the preparation of papers and their discussion at each meeting. At the same time we do not intend to interfere with, but on the contrary shall offer all possible encouragement to, independent efforts at investigation in all possible directions, by holding our PROCEEDINGS open to all valuable contributions on any topic connected with our lines of endeavor. We intend to make our PROCEEDINGS a good deal more than a dry record of events transpiring at our meetings. If our plans find the necessary support among the membership at large, the PROCEEDINGS will develop into one of the most important periodical publications in the domain of insurance science."

Our PROCEEDINGS which give the record of our past actions show what we have accomplished in an educational way through our Society. When the Society was formed, the casualty insurance business and more particularly the liability branch was endeavoring to pass from a condition of haphazard to one

of orderly rate-making procedure. Compensation insurance was in its infancy and there was very little information available upon which to base scientific rates. The underwriters of the individual companies, after reviewing the meagre statistics that were available, based their final decision as to rates on judgment. This was true not only with respect to compensation insurance but even more so in the case of the various forms of public liability insurance and the indemnity lines. Therefore, at the outset, it was natural that the attention of the Society should be concerned chiefly with the problems of placing the rate-making procedure upon a firm statistical basis.

Due to its relative importance, it was to be expected that compensation insurance should first occupy a prominent place in the discussions of the Society. In the first volume of the PROCEEDINGS, for example, there appears a paper on "Scientific Methods of Computing Compensation Rates." The rapid development of compensation insurance had caused us to devote our major attention to this subject. As a result there will be found in the PROCEEDINGS a fairly complete historical record of the progress made in the development of scientific compensation rate-making. The educational value of this historical record cannot be overestimated. Some of the many papers which have been presented on this line of insurance deal with study of claims, analysis of experience, method of computing reserves, and miscellaneous subjects. The papers on Loss Reserves have had an important bearing on legislation affecting this subject which has been passed in many states.

The PROCEEDINGS also contain valuable papers on the scientific study of lines of insurance other than compensation. Extremely valuable papers have been contributed on Accident, Health and Automobile Insurance. In fact there is practically no line of casualty or social insurance that has been neglected. There will be found in the record valuable contributions on the following subjects: "Agricultural Insurance;" "Insurance against Unemployment;" "Burglary Insurance Statistics;" "Credit Insurance;" "Unearned Premium Reserves for Fidelity and Surety Insurance;" "Group Health Insurance;" "Aircraft Insurance;" "Manufacturers' and Contractors' Public Liability Insurance;" "Plate Glass Insurance;" "Property Damage Insurance;" "Rain Insurance;" "Steam Boiler Underwriting."

These papers, describing the practices in the various lines of casualty insurance, form an introduction for their deeper consideration.

Soon after our Society was formed, it became apparent to the various insurance carriers that it would be necessary to have a central organization where statistics could be collected and studied, and scientific methods devised for computing premium rates. These rate-making organizations therefore took over one of the most important functions of our Society. It should be a matter of gratification to us that our members have had a most important part in the rate-making methods devised for the various branches of casualty insurance. As concrete evidence of this, we have the fact that papers have been contributed by members explaining the principles followed in the general rate revisions of compensation insurance. We have also had papers explaining the basis for computing premiums and reserves for Non-Cancellable Accident and Health Insurance. Our members occupy most important positions on actuarial committees studying other lines of casualty insurance, such as Commercial Health, Burglary, and Automobile.

A brief review of our PROCEEDINGS cannot but lead to the conclusion that it is the best publication covering the progress made in scientific rate-making in casualty insurance. This is undoubtedly one of the most important accomplishments of our Society during the first ten years of its existence.

In addition to the study of rate-making problems, there will be found recorded in the PROCEEDINGS important contributions on the subject of accounting and the allocation of expenses for casualty insurance companies. Much of this material has been presented recently in connection with the Casualty Exhibit called for by the New York Insurance Department. This is illustrative of the interest taken by our Society at all times during its ten years of existence in current problems pertaining to casualty insurance. Another illustration of this particular point is shown by the appointment of committees from time to time to deal with various problems confronting the casualty insurance business. The investigations and work done by these committees has been most valuable in determining the final solutions of the problems at hand. These committees have dealt with such problems as Accident and Health Reserves, Military Pensions,

Standardization of Industrial Accident Statistics,—Terms, Definitions and Symbols for Casualty Insurance,—Workmen's Compensation Statistics, and Compensation and Liability Loss Reserves. These committees, functioning under the auspices of our Society, must be recognized as having accomplished something materially worth while in the field of casualty insurance.

The Society, early in its existence, laid out a course of study by which students having the necessary fundamental education might prepare for work in the casualty actuarial profession. Through our examinations we have set up for the student a standard for measuring his attainments. Gradually these standards for admission by examination have been raised, so that now it is considered no easy accomplishment to become a Fellow by this route. By means of the course of study which has been laid out and the standards of examination which have been set, a fine type of man has been drawn to our ranks and it may well be said that the casualty actuarial profession has been placed on a high plane. This in itself must be considered as one of the very definite and highly satisfactory accomplishments of our Society.

In connection with the Society's educational work, there must be mentioned the establishment in New York and Hartford of libraries containing books and periodicals dealing with casualty insurance in general and actuarial, statistical, and accounting methods pertaining thereto. The establishment of these libraries was originally contemplated when the Society was organized and it is gratifying indeed to know that we have carried to fulfillment the contemplated program.

Not the least accomplishment of the Society has been the opportunity presented to members to get together in personal intercourse twice a year, to discuss current problems, to compare methods of work, to ask and to give advice; this has been of inestimable value to the men in our profession. This has been particularly true in the case of the younger members, to whom the meetings have been a source of enthusiasm for their work and an incentive to greater personal effort.

When the Society was organized, the casualty actuary was generally looked upon with suspicion by underwriters and others connected with the general management of the business. This was due to the fact that the actuaries had very little knowledge

of underwriting principles and the underwriters had not been educated to the value of the statistical methods used by the actuary. The associations of the actuary and the underwriter during the ten years of our existence have seemed to make the relation between them one of cooperation and accomplishment. The fact that the relations between actuary and underwriter have become cooperative has had a tendency to make the young men in our profession anxious to learn as much as possible about the other branches of the business. On the other hand, the young underwriters have seen the advantage of acquiring at least an elementary knowledge of casualty actuarial science. In addition, mathematically trained engineers have found it advantageous to acquaint themselves with actuarial principles. As a result of these relations, company executives are beginning to realize more and more the advantage of having actuarial guidance in the many problems which confront them from day to day. This is evidenced by the fact that in recent years there has been an increasing tendency on the part of executives to place in important positions men who have had sound actuarial and statistical training and have learned to present these propositions in a practical rather than a theoretical manner.

The fact that the casualty actuarial profession has been raised to a high plane and that the insurance world in general has come to look on it in a much more receptive and important light, can truly be said to be due to the dignified and determined efforts which our members have made.

In looking back, therefore, over the ten years of our existence as a Society, we can truthfully say to ourselves that the object for which our Society was organized has continually been before us. An active interest has been taken by the members of the Casualty Actuarial Society in practically every problem confronting the casualty insurance field during the past decade. The PROCEEDINGS of the Society furnish a record of actuarial and statistical endeavor in the casualty insurance field whose value cannot be overestimated. The semi-annual meetings of the members have in their social features been most beneficial in developing comradeship and mutual helpfulness among members of the profession. A great deal has been accomplished by the Society along educational lines, not only with respect to students seeking admission but also among insurance underwriters and

technicians as well. Furthermore, the work accomplished under the auspices of the Society and by its individual members has succeeded in placing the Society in a firm and respected position in the field of casualty insurance. Certainly the record of the first ten years fully justifies the organization and existence of the Casualty Actuarial Society.

To attempt to play the role of prophet is generally a dangerous and thankless task. Still, it is not difficult for one who has watched the progress of the Society during the past ten years to forecast development along certain lines in the second decade.

There will undoubtedly be closer and more detailed study of some of the social insurance lines. For example, unemployment insurance, workmen's sickness insurance, and workmen's pensions. It is probable that changes in industrial conditions within the next five or eight years will force to the front problems associated with these lines of insurance. There is a large amount of work in providing workable insurance plans with proper rates, reserves and so on before members of the Society, if we are to take our proper place in working out the problems associated with these lines. It appears to me also that the Society's members will do important work in the further development of rating methods, rate-making, and experience work in many of the indemnity lines and other casualty lines, such as accident and sickness, which have not yet appeared extensively in the PROCEEDINGS of the Society.

There should be a tendency toward further studies in insurance accounting, bearing upon the problems of expense apportionment and statement work. In this connection the recent plans announced by the Educational Committee of the Society which state that books are in preparation by members of the Society upon Insurance Accounting, Insurance Law, and Insurance Administration and Statistics are encouraging. These textbooks will be helpful to students and to the insurance world generally. Let us hope that this is only the start and that the Society will in the future act more and more as the sponsor for educational texts such as these. In this manner, not only will the insurance world be benefitted but also credit will accrue to the Society itself.

It seems safe to say that the casualty actuary or statistician will play an even more important part in the sound development

of insurance in the future than in the past. There is a constant tendency for the most farsighted insurance executive to require more and more fundamental scientific information as a basis for a business decision. There is also the pressure of the insurance public, insurance supervisory officials, and insurance managers toward more scientific rates and methods. I can see a steady and strong trend toward the greater use of the casualty actuary and statistician's knowledge and workmanship in conducting the insurance business. Certain lines of insurance, such as life, have grown to depend upon scientific direction to a great extent. Some lines of casualty insurance, such as compensation, have gone far in this direction, but there is still a large field for development in other parts of the casualty and social insurance field.

How will this be accomplished?—may be asked. One important way it seems to me is in the work of non-partisan committees of the Society which will investigate a problem and produce the best solution possible, based upon scientific principles. It is hoped that many investigations bearing upon casualty or social insurance now handled in various other organizations can be worked out under the patronage, I might say, of the Society and by its members in committee. Another way is in the presentation and full discussion of papers which will further scientific development. This seems a trite statement but it is in the thoroughness with which a program of this kind is worked out in future years that the development of the profession will be assured. I have a feeling that we have members with the ability and enthusiasm to progress these studies even farther than the point accomplished in the past decade. There is such a broad and important field for this development that with the momentum gained during the first ten years I am certain we will go on to much greater accomplishments in the next decade.