

WHAT IS SO PECULIAR ABOUT AN ACTUARY?

BY

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Twenty-five years ago, Richard Fondiller was elected Secretary-Treasurer of this Society. At approximately that same moment, I was squatting among the ruins of a little town north of Verdun, wondering if I would get turkey for Thanksgiving dinner. A quarter of a century has passed. Richard Fondiller is still Secretary-Treasurer of this Society, while I am still wondering whether I shall get turkey for Thanksgiving dinner. Not that it really matters, as we have so many things to be thankful for. Ranking high among these is this opportunity to do honor to one who has served our organization so long and so faithfully. To the satisfaction accruing to him from the knowledge of a job well done, we now would add such encomiums as shall bring joy to the heart of a modest man. Maybe, before this day is over, if success crowns our efforts, we shall hear him murmur, "Yes, I guess that it was worth it, after all."

Please be assured that if you hear him say this, he will be referring to his long years of service and not to any exorbitant fee that I may have charged for my appearance on this program. I am strictly an anti-inflationist and believe in rigid adherence to all regulations of the OPA and WLB, especially the "little steel" formula. A little steal here and a little steal there and the first thing you know your speech is written. Furthermore, I feel that I owe you something for my failure to deliver two years ago. This will be a sort of "nunc pro tunc" proposition, like the belated college degree which is given to the rich alumnus who flunked out cold twenty years previously. I believe that you will find my remarks most interesting, as I plan to deal with that absorbing subject, ourselves. I shall endeavor to give no offense to your finer sensibilities and, by the same token, I shall take none if you treat my remarks in accord with the motto of this Society, "Cum grano salis".

I should explain that the interjection of all this Latin is due to my having spent last evening in the company of two Manhattan Greeks. I am referring, of course, to Greek fraternity brothers. They tossed off quips in Latin, old proverbs, and selected quotations from the Bible, as they poured advice into me, hour after hour. I was finally convinced that the best thing in Manhattan is the cherry at the bottom of the glass. There was a diversity of opinion, however, as to whether the stem is the best part of the cherry or of the glass. Much may be said in favor of either contention, but I think that I lean toward the cherry. At least, it was much better eating than the glass. *Mirabile dictu!*

I have chosen as the subject for my discourse, this afternoon, that old question which has plagued us for so many years, "What is so peculiar about an actuary?" I sincerely trust that there is none among you, so crass or evil-

minded as to think that I had Richard Fondiller in mind when I selected this topic. Perish the thought! As a matter of fact, when I propounded this question, I had each member of this Society under consideration and I have even gone so far as to examine myself in an honest effort to arrive at the correct answer.

Whereas, it may not be possible to reduce this to rigorous mathematics, I believe we should follow the classical lines of analysis favored by such purists as Paul Dorweiler and Francis Perryman. As in the case of the five blind men and the elephant, there are five different approaches to this problem. There may be more, but you will find that five will be more than sufficient to thoroughly exhaust the subject and, quite likely, yourselves as well. In the order of their importance, these are as follows:

1. "What is so peculiar about an actuary?" This form of presentation is too narrow in its implications, since it gives one the impression that he is called upon to guess what one thing makes an actuary so peculiar. Is it his manner of speech; the cut of his clothes; his interest in crossword puzzles or contract bridge; his preference for lectures on political science rather than Star and Garter or By Jupiter; can it be a secret penchant for cherry brandy and Coronas? It is quite obvious that this approach is unworthy of further thought.

2. "What *is* so peculiar about an actuary?" This proposition falls in the same classification as the first one. It is of passing interest, however, to note that this variation is the type currently favored by the rapid-fire school of radio quiz specialists. You are all familiar with those clamoring female voices which demand, "What *is* the fourteen-day Palmolive Plan? Yes, what *is* the fourteen-day Palmolive Plan?" There is nothing to do but work oneself up into an immediate lather and *give* with the answer. Can you imagine what our Proceedings would look like if we disposed of our problems in any such summary fashion? We would probably be reduced to issuing a small pamphlet, known as the Actuaries' Grist. Truly, a grisly fate for our beautiful and voluminous Proceedings. We shudder at the very thought.

3. "What is *so* peculiar about an actuary?" Thus Nero sitting on his podium might have queried of Petronius concerning the Christians, as he languidly crushed another grape and peered through his emerald at the broken bodies nailed to the crosses in the arena. It is apparent that posing the question in this manner will lead us up a blind alley, since innuendo and insult have no place in an impartial scientific analysis. Let us grind this under our heel, as we take the next step.

4. "What is so *peculiar* about an actuary?" This is the way in which the question is commonly asked by the proletariat, the hoi polloi and the bourgeoisie. Home office underwriters and field representatives have never been able to cope with the workings of the actuarial mind. Whenever there is a

rate revision, the actuary is cursed and denounced as trying to wreck the business. Woe unto him if the rate for Bean Sorting and Handling in the State of Michigan should be increased by as much as two cents. The experience rating plan had just been mastered by at least ten percent of the underwriters and agents, when the actuaries brought forth a new plan, so complicated that even some of the actuaries couldn't understand it. No wonder that the practical men in the business throw up their hands in despair. Claim adjusters recognize in the actuary, a juggler of interest and mortality rates and a compiler of reserves. They have always felt that there was something phoney about the results but have been completely frustrated and exasperated by their inability to prove their contentions. Inspection engineers and payroll auditors regard the actuary as a rare bird, all right, but they dismiss the matter lightly, by simply inserting an extra "r" into the spelling of the name, thereby referring to him as "acturary". Executives and insurance commissioners have found that the best way to keep everybody happy is to smile indulgently at the actuary and then behind his back, call him a crack-pot. This approach to the problem will be subsequently dealt with in further detail.

5. "What is so peculiar about an *actuary*?" Stating the question this way, we sense that there is another viewpoint worthy of consideration. The implication is that the actuary isn't so peculiar, after all, or, at least, he is no more crazy than many others engaged in the insurance business. He may approach a problem through channels unfamiliar to the rank and file, and he may arrive at conclusions contrary to those reached by the majority. This should be taken as an indication that he is possessed of the scientific mind, which delights in probing for the truth. One thing certain is that the actuary is no "yes" man. The editor of one of the prominent insurance publications once referred to him as the "yes, but" man of the insurance world. Maybe that is why he is called peculiar. Well, be that as it may, let us proceed with our investigation.

Our preliminary examination has served to emphasize the main point at issue. We must now determine whether in reality the actuary is peculiar and, if so, how he gets that way. For the sake of simplicity, the affirmative viewpoint will be represented by the opinion of the underwriters, while the actuaries will do their best to defend themselves. Let the chips fall where they may, but the truth must prevail, in order that this moot question may be disposed of, once and for all time. Public opinion will be the judge.

The concensus of the underwriters will now be presented. The actuary is a self-opinionated theorist, whose conception of the practical side of the business is less than nil. He spends his time in a sort of vacuum, far removed from the front line of contact with the outside world, playing upon his slide-rule, as he applies untried formulae to a mass of outdated statistics. There is a fanatical gleam in his eye, and he ignores all whose opinions differ from

his own. The actuary regards all underwriters as morons and he has absolutely no respect for that sacred sixth sense, known as underwriting judgment. He is firmly convinced that the underwriters are in cahoots with the agents to cut the rates as much as possible, and scathingly refers to them as under-raters. He never misses an opportunity to show the underwriters up, especially when in joint conference with an executive. The actuary is so damn superior!

Although the actuary's I.Q. is fairly high, his P.Q. (personality quotient) is abnormally low. He seems to be utterly lacking in all the human graces. The actuary may occasionally take a drink, but he never treats, as he has shrewdly calculated that the odds of breaking even are against him. His clothes need pressing; he has been known to wear high shoes and even sleeve garters; and, to judge from the length of his hair, he is no longer on speaking terms with his barber. Bill Leslie will remember that particularly bitter critic who went so far as to say that the actuaries are lily-fingered.

Now this is a pretty serious indictment of the actuary, and, in spite of certain obvious exaggerations, we cannot simply laugh it off. Where there is smoke, there is fire, or, as Confucius might have said "When there is cackling, an egg has been laid."

We will concede the point that there are such things as long-haired actuaries, and even some with lily fingers, if I understand correctly what our critic meant by this. Perhaps he was thinking of "pale hands I love beside the Shalimar." At any rate, these actuaries, by virtue of their own initiative and recognized ability, have earned the right to membership in our Society and we are proud to have them associated with us. I refer, of course, to the charming ladies in our midst. I hope that they won't mind being called "lily-fingered." It does seem somewhat strange, however, that long hair should be considered as an attribute of the actuary, since it would appear that the length of the hair on the heads of some of our most distinguished members is inversely proportional to the actuarial gray matter contained therein. Just take a look around and you will see what I mean, or ask Win. Greene.

All remarks directed at the attire of the actuary are grossly superficial and inaccurate. The fact is that most actuaries are fastidious dressers. They lay great stress on such matters as the proper matching of necktie, socks and pocket handkerchief. I would refer you to those two obvious authorities Sanford Perkins and Bill Constable for confirmation.

To concern ourselves with the fundamentals, let us touch briefly upon the background of training necessary to produce an actuary in the field of casualty insurance. He must have a thorough grounding in mathematics, up through the customary college courses, and in the theory of probabilities, life contingencies, statistics, and accounting. He must also become familiar with all the intricacies of company statistical procedure, rate-making, experience rating, compilation of reserves, allocation of expenses, underwriting practices

and, in general, the methods employed in all other departments of the company. He must understand the preparation of the annual statement and other reports required by state and federal authorities. In order to become a member of this Society, he must pass our prescribed examinations, which usually will take from four to six years. To accomplish all these things, and I have only hit the high spots, the actuary must be possessed of an analytical, clear thinking, technical mind; be quick to understand problems; must be accurate, resourceful and responsible; and, above all, he must retain the younger man's viewpoint and ability to grasp new ideas.

As in the case of other professions, requiring years of training in theory and practice, the way to the goal is a hard one. It usually takes from eight to ten years to arrive somewhere in the vicinity. Of course, it may be a matter of another eight or ten years before he receives outward recognition, as evidenced by a telephone listed under his name, carrying with it the right to make and receive outside calls; an extra week of vacation; a title; an office of his own and, possibly, a private secretary. However, he has been pulling down a handsome salary all these years, so the trappings of office are only of secondary importance. I would not have you think for an instant that the actuary is primarily interested in the mazuma, but he has not yet been classed as tax exempt and he is expected to buy War Bonds, just like everybody else.

This brief review of background may help to explain why the actuary is as he is. Possibly, there are times when he is irritated by some dull-witted underwriter, but he must endeavor to be tolerant, patient and kind. In explaining some technical subject he should use non-technical language and words of one syllable which the underwriter can understand. The presentation of papers before our Society gives us ample outlet for showing off how good we are.

The actuary should picture himself as a physician, to whom the underwriters may turn for advice when they are in trouble. Like any good doctor, he must inspire confidence and be ever willing to lend a helping hand. By all means, make the underwriters feel at home in your office. Always have a generous supply of cigars, cigarettes and smoking tobacco on hand for this purpose. It will pay large dividends.

It is of paramount importance to have a sense of humor. The actuarial cross is hard to bear anyway but, without a sense of humor, you will be crucified, and what's more, you will deserve to be. You must laugh convincingly at the Vice President's favorite story. This, too, will pay large dividends,—usually in the form of more stories. One word of warning, however, learn to become a good listener, rather than the one who tells the stories. There is nothing more fatal than for an actuary to get the reputation of being funny. Sound advice, but who believes it?

All of which leads to the point that, if the actuary is out of step with the

rest of the insurance world, a little quiet introspective analysis should indicate the remedy. Furthermore, since the selection and training of candidates for actuarial positions are usually controlled by actuaries already established in the business, you have it within your own power to bring about a continual improvement in the personnel, not only with respect to technical ability, but also in terms of human relations. I am suggesting neither that you recruit glamor boys, nor that you lower our high standards of actuarial proficiency in the slightest degree. There are such things as men with actuarial ability and a pleasing personality, underwriters to the contrary notwithstanding. It may be a case of many being called and only a few being chosen, but your efforts to find these few will be amply rewarded. You will derive a lasting satisfaction in watching the progress of the young men whom you select and, what is more important, you will bring credit to our profession and the men in it. In this manner, you will remove the last trace of any stigma of peculiarity which may attach to the title of actuary.

It is a strange phenomenon that whatever stigma there is seems to attach to the title, rather than to the individual. Quite the reverse of the rose, by any other name, smelling just as sweet. Just let the actuary divest himself of that title and assume that of secretary, vice president, president or general manager, and he immediately passes from purgatory into paradise on earth. Instead of being referred to as one of those damned actuaries, he is revered as something akin to divinity. Quite likely this serves as an incentive to the actuaries, for certainly a goodly number of them have been so transformed. Some companies have recognized this phenomenon and, in lieu of an actuarial department, they have established what is known as a rating and research department. I believe that we should deplore any trend in this direction, as it smacks of defeatism. We are proud of our profession. Let's stand by our guns. If we don't watch out, there will be agitation for changing the name of our Society to the Casualty Rating and Research Society. God forbid!

In these rambling remarks, I have endeavored to show that the actuary in reality is not so peculiar, and, even if he is a little that way, he can easily overcome it through his own efforts. Certainly, there is no foundation for the belief that all actuaries are endowed with peculiarity in perpetuity. The time may never come when the underwriters will consider us as their equals, but let us carry on with the hope that some day they will admit that we are not such bad fellows and associates, after all. Until that happy day, let us be content with our lot. When some one raises the old question, "What is so peculiar about an actuary?", we shall without malice make a simple but dignified answer, giving a Stoopnagle reverse English twist to the classical one concerning the southern exposure of a horse going north. Yes, our reply shall be, "There are so many fewer of them than there are underwriters."