

# PROCEEDINGS

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## PROFESSIONALS' PROGRESS

PRESIDENTIAL ADDRESS BY GEORGE D. MORISON

All goes well with the Casualty Actuarial Society.

Membership continues to grow. More new Fellows were admitted in 1977 than in any year since the founding of the Society. The number of new Associates dipped this year because of the more stringent examination requirements but the climb is expected to resume next year.

Attendance at semi-annual meetings shows a handsome growth pattern for the wearers of each of the several colors of name badges. Some of us maintain that the quality of the programs has as much to do with these turn-outs as does the selection of sites. This particular meeting represents a milestone in the commitment and effort shown by those people who responded to the call for papers by accepting the challenge, handling the difficult deadlines, and sharing their experience and insights in reserving for losses.

I believe we are justified in feeling a sense of satisfaction, even pride, in the fame brought to our Society as its members branch out from the traditional actuarial department assignments into other areas of insurance company operations, into consulting work, reinsurance, risk management, and other endeavors where the value of an actuary's contribution may not have been recognized in the past.

Wherever we look, then, we see remarkable growth and progress for the Casualty Actuarial Society and we are inclined to relish this feeling of self-satisfaction; many folks labored long and hard during the lean years to bring us to this enviable position.

Does a successful present, though, guarantee a bright future? Not necessarily. As a profession which specializes in dealing with future events we can ill afford to enter our own future without some clear idea of what we think it should contain. I would therefore suggest a few specific areas where our attention might appropriately be directed.

The first of these areas is the very planning process itself. For each of the last seven years we have had a group—referred to, simply, as the Planning Committee—comprised of the Vice President and the three newly elected members of the Board whose charge has been to solicit plans for the coming year from the chairman of each committee in the Society. The Planning Committee transmits these responses together with any suggestions of its own in a report to the Board of Directors.

There certainly is merit in obtaining annual plans from each committee; for those which function under less rigid timetables than, say, the Nominating Committee, this survey may occasion a more meaningful program than would otherwise be undertaken. To be sure, asking for plans from representatives on joint committees and, especially, liaison representatives to other associations, becomes somewhat forced. However, it does help in achieving the secondary purpose of the Planning Committee's efforts—familiarizing the members of that group with the activities of all committees, a proven method of introducing the newly elected Directors to one of their responsibilities as members of the Board.

The Planning Committee, then, has provided a satisfactory means of overseeing short term developments. With a few notable exceptions, such as the creation of the Committee on Loss Reserves on recommendation of a recent Planning Committee, long-range plans have not attracted much attention from this group—or any other group.

In today's rapidly changing environment any organization that wants to exercise some degree of control over its future must engage in long-range planning. As recently as eighteen months ago we disbanded a short-lived committee of this type in the mistaken belief that moves toward a restructuring of the profession absolved our Society from the need to plan its own future. How short-sighted that decision was!

It seems ironic that we frequently devote time on our semi-annual meeting program to the topic generally labeled "corporate planning," which turns up as the most popular subject on the interest surveys of the member-

ship, yet we have recently engaged in little or no such activity on behalf of the Society itself. This inertia is even more befuddling when it is recalled that one of the most far-reaching, productive efforts of recent years was that which culminated in the report issued in 1970 by the Committee on the Future Course of the Society—affectionately referred to as the Schloss Committee.

From the many thoughtful recommendations of that committee emerged such Society activities as seminars for high school and college students and faculty. This effort was mounted in the days when we were feverishly trying to attract more candidates into our Society. Extended discussions which led to more demanding examination requirements for Associateship status in lieu of a specified experience period were precipitated by the report of that Future Course Committee. Even the September 1976 one-day seminar on loss reserves grew out of a recommendation of that committee. Its efforts produced significant results and helped achieve the Society's growth and vitality we savor these days.

To ensure continued success, though, we need to embark immediately on an on-going, long-range planning program. A special committee should be appointed for that purpose with a clear charge to draw up 1-year, 2-year, and 5-year plans which would then be updated annually. This committee will, of course, work closely with the people discussing reorganization of the actuarial profession and with other standing committees whose activities are affected by changes in the size and the profile of our membership.

With this type of planning program in place, operating effectively, we will be able to phase into such changes as the inevitable move to a professionally staffed central office, more careful coordination of the Society's various publishing activities, or whatever changes are forecost by the committee—instead of reacting to individual crises as they strike.

Without waiting for suggestions from the long-range planners we should move boldly toward greater involvement by our younger members. The Society has been fairly successful over the years in recognizing the needs and interests of its newer members. Election to the Board of Directors within as little as five years of achieving Fellowship—not uncommon these days—helps to keep our decision-making "youth-oriented." With the continuing growth in membership, though, a more structured program is needed to ensure adequate consideration of the needs of the newer members.

To guarantee that the thoughts, ideas, and aspirations of this increasingly important segment of our Society be properly aired, the Board of Directors should authorize the formation of an Advisory Council to be made up of Fellows who became such within the last five years. The members of this Council might well be selected by each of the local affiliates to enhance the prestige of those organizations as well as to assure reasonable geographical balance on the Council.

The idea of such a vehicle for recognizing the importance of newer members was most recently presented to the Board of Directors by the 1973 Planning Committee. After discussions throughout that year, and part of the next, the idea was abandoned largely due to procedural difficulties and, apparently, some perceived lack of urgency. The time for complacency—if it indeed prevailed—has passed. By 1980, more than half of the members of the Casualty Actuarial Society will have achieved their designation in the decade of the 70's!

In addition to creating this Council for keeping the Society's leadership informed of the concerns of newer members we need to encourage even greater participation by new Fellows in committee and program work. Each new Fellow ought to volunteer to serve on—and be appointed to—the Education & Examination Committee where the individual's recent experience with the examining process can be used to keep the system responsive to the needs of the students. The tour on this committee should be brief to make way for other new Fellows and to allow quick movement into other types of committee work where the special talents and enthusiasm of these new Fellows can be channeled into the various Society activities.

The abundance of thoughtful suggestions available from our newer members was clearly demonstrated in the responses received to a recent request I sent this season's graduates, soliciting their ideas on what the Casualty Actuarial Society ought to be doing differently to respond to members' needs. The answers were gratifying in number and revealing in content. It was suggested, for example, that future meeting programs include such topics as statistical and mathematical techniques, management skills, and the exploration of the actuary's role in maximizing company profits. Several ideas were offered for improving the examination system in such ways as by publishing model answers. In the words of one respondent, this improvement would help to "lift the veil of secrecy" which he sees inhibiting com-

munication between Fellows and candidates. Another very specific suggestion involves a perceived need for this Society to insist that loss reserves be certified by qualified casualty actuaries.

There is no shortage of timely, practical ideas among our newer members. It therefore seems obvious that we must continue to solicit those ideas and implement them as quickly as we can.

At the same time as we embark on a formalized long-range planning program and vigorously pursue a much higher degree of participation by newer members in the affairs of the Society, we should play a major role in the efforts directed toward reorganizing the entire profession.

Those of us who sometimes lose patience with the halting progress of this issue need only recall that it was a mere seven years ago that Dan McNamara, in his Presidential Address, stunned his listeners by suggesting that the CAS begin discussions with the Society of Actuaries on ultimately consolidating the two organizations. This proposal bordered on treason because of the pride most members took in the individuality of the Casualty Actuarial Society and their utter distaste for the thought of being swallowed up by that huge organization of mirthless "life actuaries."

Events since that time, especially those of the last eighteen months when the pace occasionally became frenetic, have been duly chronicled. What does not reveal itself, however, is any especially strong feedback from the membership on this issue, and the leaders of each of the actuarial bodies agree that it is axiomatic that strong support from the membership is needed if any type of reorganization is going to take place.

In weighing the reasons advanced to date for some change in the existing organizational arrangement—as each member of our Society should—I direct attention to the first of the reasons put forth by the Joint Committee on Organizational Coordination—clarification of what an actuary is and what an actuary does. As we succeed in filling the expanding need for those services which actuaries can uniquely provide, we can no longer take refuge in the happy mystery that used to surround our profession. We need to break out of that comfort zone in which we become accustomed to talking primarily to other actuaries, sometimes to underwriters, and less often to other industry people.

Whether we like it or not, actuaries, without qualification as to casualty, life, or pension, are moving into the public eye. When Jack Anderson

considers our profession worthy of copy, we have, in one sense at least, arrived! In a syndicated column which was published on various dates around the end of August, this year, Anderson leveled a series of charges about actuaries' arcane tools and obfuscatory language used, in particular, to evaluate defense contractors' pension costs which, to a large extent, are borne by the taxpayer. For those who might be inclined to discount Mr. Anderson's polemics there is an article in the November 1977 issue of *Fortune* magazine presenting observations very similar to those of the syndicated columnist. One particularly incisive passage from the magazine article reads as follows, "Some actuaries are so riled about all the attention unfunded liabilities have been getting that they want to stop using the term altogether. Instead, they prefer calling them 'supplemental present values,' a euphemism worthy of an undertaker."

Pension actuaries, then, are clearly occupying a position in the public spotlight. The lesson to be heeded by casualty actuaries seems obvious. As public awareness of, and interest in, our specialty grows, we need to become more careful of what we say and do; our pronouncements will have to hold up under the glare of public scrutiny. One of the earliest casualties in this arena has been our traditional defense against the use of investment income in ratemaking. As we continued to mouth platitudes about unrealized capital gains, modest profit and contingency allowances, and the like, the outcome on the questions had already been decided by individual rate filers and some regulators. Our steadfastness in a losing cause did little to enhance our public image.

In a similar vein, we should discontinue such practices as attempting to justify the introduction of loss development factors in individual risk ratings in terms of some trumped up benefit to the insured when the real objective is improved cash flow for the insurer. Under public scrutiny we will have to say clearly what we really mean, and what we mean will have to make sense.

Besides acting responsibly to minimize the likelihood of misunderstandings, as a profession, we ought to mount a broad-gauged public relations effort to provide a more meaningful exposition of what an actuary is and what an actuary does. In so doing we might offset the impact of—or even forestall—publicity of the type cited above. Such a concentrated effort requires a strong national body representing all actuaries—however, and by whomever, defined. As we move toward the accomplishment of this goal of

clearly defining to the public the role and qualifications of an actuary, we might even reduce the likelihood in the future of outsiders devising their own definitions.

Once a single body earns the right to speak for all actuaries, then other benefits follow beyond clarifying the function of the actuary. Public statements on actuarial questions could more easily be issued by such an organization than by the specialty groups. We have observed a great deal of activity and much success in the recent appearances of representatives of the American Academy of Actuaries before federal committees. As this type of activity expands, I believe we can look for the national body to issue more frequent public expressions of opinion on actuarial matters—a need which has been voiced by many of our members.

Another matter of concern to our members—the intrusion into the casualty/property area by actuaries who have not passed the casualty examinations—could be policed by the strengthening of a strong national body even before it solves the accreditation problem. While the details are not easy to set down, clearly one organization, made up of all actuaries, would be better able to impose strictures on its members' improper activities than would the several actuarial bodies in existence today.

Without discounting the other reasons advanced in favor of some type of reorganization of the actuarial profession, I have chosen to concentrate on the one involving clarification of what an actuary is and what an actuary does because I consider this need urgent. Other people may prefer different reasons, and still others may see no appeal in any of the reasons cited. It is important, though, that our members ponder the questions of reorganization, discuss the issues at every opportunity, and make their views known.

Whatever the outcome on reorganization, the organization which we call the Casualty Actuarial Society will continue to control its future to the extent it plans for that future, and will continue to welcome an increasing number of new members whose properly recognized interests will help give direction to that future. If we are willing to rise to the challenges provided by this continued growth, then those who follow us will be able to take the pride we do in a strong, successful society of professionals.