

PRESIDENTIAL ADDRESS — NOVEMBER 14, 1989

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I direct your attention to the following quote from the *Proceedings* of the Casualty Actuarial Society:

Mr. Ryan was modest, kindly, cheerful; his human sympathy was immediately apparent to all who met him. In consequence he gained without conscious effort the loyalty and love of all with whom he came in contact—associates and subordinates alike. Few men have won the affectionate regard in which Mr. Ryan was universally held.

So reads the obituary of a former president of the CAS and a former head of the National Council on Workmen's Compensation, Mr. Harwood Eldridge Ryan, the sixth CAS president and first president of the National Council.

In his CAS Presidential address he said, "I suppose everybody who holds this office, in casting about for a suitable subject for the . . . yearly address, is constrained to impress upon the membership the importance of the organization's mission." Despite an absence of Harwood's kinship and conspicuous esteem, we share much in common, not the least of which is that sentiment for organizational introspection.

It is my intent to continue the customary presidential practice of reflecting on some basic questions, as we mark the seventy-fifth year of the existence of this Society. It is not unduly introspective to question whether we are successfully fulfilling those challenges laid down for us by our founding fathers. Have we done and are we now doing what those who went before us trusted us to do? Can we point with pride that our stewardship of this important professional society is without blemish? Have we preserved our heritage? Or is it that we have done less than we are capable of? Less than we ought to have done? Far less than what was expected?

For fear that we rush to false evaluation, it is incumbent that we focus on the mission or objective of the CAS as it was originally framed and as it is now stated. This should not prove difficult. As actuaries we are both skeptical and focused.

Our skepticism is best shown by the story of the journalist and the actuary who were riding together and passed a flock of sheep. "Look," said the journalist, "the sheep have all been shorn." The actuary replied, "At least, on this side."

Our focus is exemplified by our continuing struggle to define the basic purpose of the organization and by a recognition of the role that we play. Initially, it was a narrow focus. As Isaac Rubinow enunciated in the concluding lines of the very first presidential address "What is really needed is a constructive plan . . . for rating statistically, . . . so that . . . rating should be definitely established, not only as a measure of justice between one individual and another, but also as a potent factor for the furthering of the safety movement, without however bringing about a situation under which insurance is being sold below cost. "Today I imagine that he would admonish us to be just, promote safety, but—remarkably from one who was a reputed socialist—make an underwriting profit. We have been cursed from the start with the dichotomous role of scientist and businessman.

Little changed in the stated aims of our Society throughout our early history. At the twenty-fifth celebration the then president Francis Perryman proudly noted that the second Article of the Constitution had never changed. The article proclaimed the aim of the Society to be "the promotion of actuarial and statistical science as applied to 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." Scant attention was paid to either Rubinow's underwriting profit, or what have become today's important facets—qualification and conduct. These aspects were only recently focused on.

Just last year, the statement of purpose was changed to "advance the body of knowledge of actuarial science in applications other than life insurance, to establish and maintain standards of qualification for membership, to promote and maintain high standards of conduct and competence for the members, and to increase the awareness of actuarial science."

To facilitate our review today I will restate that same purpose in different words:

To further the non-life actuarial profession by

1. Developing knowledge
2. Qualifying members
3. Maintaining standards of conduct, and
4. Increasing awareness of the actuarial profession.

It will be against these four aims that our efforts must be judged.

As to the first purpose, have we advanced the body of knowledge of actuarial science? The results are uneven in that regard and we can have honest disagreement on the results. Such possible disagreement reminds me of Lady Nancy Astor, who, listening to Winston Churchill and growing more and more angry over the views he was expressing, said to him, "If you were my husband I'd put poison in your coffee." Churchill replied, "If I were your husband, I'd drink it."

We certainly have made considerable contributions to actuarial knowledge through the publication of papers in the *Proceedings*. In 1914 there were fourteen papers published in the *Proceedings*, almost all of them dealing with workers compensation. In 1939 we published six papers. In that twenty-fifth anniversary year, there was still a preponderance of workers compensation papers. Only one of them dealt with a subject other than workers compensation. That particular paper should interest us as an example of the potential value of expanded actuarial insight. It is titled "The Effect of Daylight Saving Time on the Number of Motor Vehicle Fatalities."

At the fifty year mark we had eight papers and went from a preponderance on workers compensation to only one paper on that subject. We were also blessed in that volume with the magnificent treatise "How to Tell a Pure Actuary from a Lay Actuary." In most recent years we have shown a clear break from our early years by publishing usually seven or eight papers with very few dealing with workers compensation.

Is this a sufficient record? Have we accomplished what we have stated is our objective? I believe the answer is inconclusive. The quality is outstanding, and the quantity is impressive. The subject matter is not. As a profession we offer to society the service of analytical minds and an understanding of the basic mathematical principles underlying risks that daily impede fertile commercial transactions. However, we have

allowed the use of our talents to be bounded by the insurance industry. It need not be. Is not the world of investment management, financial services, and econometrics in need of the basic talents possessed by casualty actuaries? Why are we reluctant to pursue a broader agenda, a more influential role in a society that could benefit from our talents? If our goal is to expand the body of actuarial knowledge, we must expand beyond the self imposed limit of casualty insurance.

If we do not accept the challenges presented by a growing awareness of risk in finance, then we are sure to leave the work to those who are both less qualified and less equipped. Accountants and finance practitioners have their role; it is not that of quantitative analysis of financial and insurance risk. Our response should be as clear as the challenge.

To quote once again the Ryan of 65 years ago: "It should logically fall to the casualty actuary to prepare the business in which he is engaged for larger opportunities. In recent years our national government has devoted considerable study to questions relating to the possible application of insurance principles to the solution of important economic problems . . . [We] should be even more alert and more ready to recognize such possibilities and be prepared with foreknowledge to accept the responsibilities which the discovery of new needs may create."

Our second objective is to qualify members. The accurate assessment, although self aggrandizing, is that we have been very successful in developing talented, productive, and successful actuaries. Many point to the examination process itself rather than the content of the exams that has produced this result; the size of the exams and their length have contributed to developing a group of successful students who have been able to balance work related duties and considerable study. This process has produced individuals marked by their ability to balance enormous demands, gifted in assigning priorities and juggling duties. As a result we need to exercise a great deal of caution as we approach the question of splitting our exams into smaller pieces.

Currently the CAS leadership is reviewing the question of whether we would be aiding the educational process by dividing the examinations into more but smaller parts. Both for the reasons mentioned earlier, and for fear that such a step would increase the average time it takes to pass all the exams, the Board will only proceed to implement the "partitioning of the exams" if it is convinced partition results in a better system that

on average requires no extension of the time taken to complete the examinations.

In this preparation and examination cycle, the process itself can have as much value as the achievement to which the process is dedicated. It is much like the story of Tommy Brown. No matter what happened to Tommy Brown, he always described it as pure luck. He decided to prospect for gold and went into the mountains through a bitter winter, nearly freezing to death as he kept looking for a golden vein in the rugged ground, not unlike the perils of an actuarial student seeking a passing grade. Finally, as the ground thawed in the spring and he was down to his last meager ration of food and his mule was gasping its last, he broke into the earth in a likely looking spot and dug and dug until at last he hit a box. With no food left and his strength fast ebbing, a million miles from nowhere, he managed to lift the box out and open it. Inside was a carton of Army C rations. "Boy am I lucky," he said, "it could have been gold."

Have we been successful in this objective to qualify members? I believe the answer is yes. We have developed a strong corp of qualified, proficient actuaries. Not only do they possess the appropriate quality that will always be our first concern, but the quantity is also beginning to match our needs. We currently have a membership of 1447, comprised of 862 Fellows and 575 Associates. But more important, we now have more students than members and are well on our way to meeting some of today's critical demands.

Our third objective is the enforcement of proper conduct and the requirement for competence. In no other area are we so obviously deficient. The noteworthy steps in publishing Principles and the development of Standards of Practice have been singularly successful. But does not the absence of meaningful disciplinary actions strike the membership as unusual? There is no resolve to question, no pressure to guide, no desire to admonish, or in those rare cases, no heart to punish. Why? Are we so unsure of ourselves that when our professional opinions lead to failure, when our advice leads to inadequate pricing, when our proposals are followed by financial ruin, we cannot question those involved.

We must not hesitate to question those involved in such activities. I am not suggesting we initiate harsher strictures or do anything to curtail actuarial creativity. We must be accountable, if we are to imbue our profession with competence and high standards of conduct.

A severe limitation on our ability to institute strictures on unprofessional performance is our status as practitioners without license. Consider the American Medical Association, which has had meaningless, if not non-existent, discipline procedures in place. Because the AMA is a membership organization, it does not have the self-discipline procedure necessary to regulate its members' performance. There is no licensing requirement that says a doctor must be an AMA member. The role of disciplinarian falls to the licensing body and that is a major difference for us. We know how difficult the discipline process is for doctors, yet they have the distinct advantage of being licensed. Without a licensing procedure the problem takes on a more difficult facet and requires significantly more self-regulation.

Accordingly the actuarial profession should devote a great deal more effort to discipline and guidance for professional conduct. The Council of President's Task Force on Strengthening the Profession proposes extensive revisions to our discipline procedures. For us, more awareness of the need, and more appreciation of the role and use of the discipline process that enforces regulation of professionalism, must come from within. It is another price to be paid for not having a license.

Even if our first step is only to question those involved in assignments that had questionable outcomes, insolvency, or rate inadequacy, then it should be done and done quickly.

We know enough of the particulars of medical malpractice to be aware that some of the medical professions' difficulties stem from its inability to discipline itself effectively. Not all doctors practice properly, as the following story dramatizes.

A man telephoned his doctor and said, "I have this shooting pain in my throat when I swallow and I'm very hoarse. What should I do?" The doctor replied, "Until you can see me at the office tomorrow, just keep your neck swathed in hot compresses." "My maid told me to use cold compresses," protested the man. "Nonsense," said the doctor, "my maid says hot compresses."

Our fourth and final objective is that of increasing the public awareness of the actuarial profession. Again, this area has been one of some success and some failure. Much ignorance shrouds the attempts to increase the public exposure of actuaries. We have delegated the role of public spokesman to the American Academy of Actuaries. As a result it

speaks on our behalf in advocacy roles and in its role as disciplinarian. But we must maintain a public image for the CAS's own role as a learned society. We must be clearly identified with the casualty actuarial educational process. We are separate and distinct from the Society of Actuaries and the American Academy of Actuaries. As such we should have our own identity and our own public relations posture. We must encourage potential students and potential employers to help develop a public awareness of what the CAS education means and the abilities it develops. We have not been successful in obtaining such public awareness. We are now experimenting with new approaches to becoming more visible, yet we meet resistance to change. If we are to be effective we must be visible.

Public relations is like the problem of the farmer with his stubborn old mule. The farmer hit the mule over the head with a bat. Why? For the same reason that so many causes need public relations. The first thing you have to do is to make sure you have the target's attention.

In summary, we are casualty actuaries and we hold claim to an honored profession, a profession in which we take justifiable pride, a profession of intelligent men and women who through the exercise of our profession add value to the society in which we live.

In keeping with the aims of that profession we must strive to expand our influence, ensure our integrity, educate our successors and do it all visibly and proudly.

I am proud to be one of you; I am grateful to have been allowed to serve you; I am thankful for your fellowship.