

TRANSACTIONS

OCTOBER, 1966

ADDRESS OF THE PRESIDENT, GILBERT W. FITZHUGH THE RESPONSIBILITIES AND CHARACTERISTICS OF ACTUARIES

IT is appropriate that the President have an opportunity to address the Society at the termination of his term of office, when his feeling of indebtedness to his profession is probably at its peak. In thinking along these lines, I reviewed the recent presidential addresses of the Society and of our mother organization, the Institute of Actuaries in England. I found them very stimulating reading and commend them to you. It is said that if you steal one idea it is plagiarism, but if you steal ideas from many different people it is research. I choose to call this effort "research." Putting it another way, when I found so many good points made, I thought many of them were worth repeating. I hope that I can add a few ideas of my own to the accumulated knowledge and wisdom of my predecessors.

It is first my pleasant duty to record here my deep thanks to the Officers of the Society, the Board of Governors, and all those who have worked so hard on our committees and, in fact, to the entire membership for their wholehearted support and co-operation during my term of office. It has been a wonderful experience, and I thank all of you for making it possible.

We are all aware of the expansion of the fields requiring actuarial services and of the opportunities this affords our members. There is perhaps one characteristic that is common to all these diverse fields, and that is that practically all actuarial work involves the evaluation of long-term obligations that can reach many years into the future. Whether or not these long-term obligations will be fulfilled is determined, perhaps more than by anything else, by the ability and integrity of the actuary contributing his professional skills to the designing of the terms under which the obligations are undertaken.

In the life insurance and pension business, we are not providing a product that the user can evaluate very promptly after delivery to be sure he got what was promised. Particularly in the life insurance business

we are selling a product where the buyer knows by the very nature of the business that he may not be there when the product is delivered to see that it is "as advertised." I cannot think of any higher form of trust than to be given an important share in the responsibility for carrying out a man's hopes and dreams for himself in his retirement years or for his family when he is no longer here to provide for it himself. It seems to me that we as actuaries must never forget our share in these responsibilities in performing our day-to-day activities, regardless of our fields of endeavor.

Along with these tremendous increases in the responsibilities of actuaries, there has fortunately been a great increase in the numbers of our members. All these developments are stimulating, and we take great pride in them and the way our profession is meeting its responsibilities. This very growth, however, presents us with new problems. One of our primary objectives has always been to develop new members qualified to discharge the professional responsibilities of actuaries to society, to the Society of Actuaries, and to each other. I think that the Society of Actuaries can claim that an outstanding job has been done in this area. While the primary job is naturally one for our hard-working and effective Committees on Education and Examination, there is much more to the training and education of a truly qualified actuary than that related to preparation for and the passing of examinations. A great variety of qualities is developed through daily work on actuarial jobs and through the personal associations between younger and older members of the Society. In the past, when the Society was much smaller and the responsibilities of its members were more homogeneous, this development process was easier. A large part of it came about through a sort of osmosis. With our current size and heterogeneity of interests, it is more difficult.

For these reasons, and with apologies for any sermonizing that may appear to creep in, it occurred to me that it might be helpful to try to set down just what seem to be the characteristics of an actuary. What manner of man is he? What are the components that make a man want to enter this profession, that help to equip him to meet his professional responsibilities, and that help to make him successful in his chosen endeavor?

While actuaries come from many different backgrounds and travel many different roads to their goal, it seems to me that there are common characteristics that can be found in successful actuaries in whatever fields of work they apply themselves.

1. *Mental discipline.*—Nobody inherits a Fellowship in the Society

of Actuaries. Nobody can have one handed to him. Nobody can be forced into the study necessary to become one. The only way that it can be accomplished is for an individual to decide for himself that he wants to spend the time and effort required to go through the rigorous examination system in order to achieve the professional designation at the end of the road. The self-discipline learned in the process is one of the most useful results of Fellowship and is very helpful in any line of endeavor, even if the actuary leaves the field of actuarial work. Success in this area cannot be achieved without a genuine aptitude and a real liking for hard work. This is a characteristic that our two countries could well use in more abundance in many fields.

2. *Analytical ability.*—Related to this quality of mental discipline, and arising to some extent out of it, is the need for analytical ability. Regardless of an actuary's field, he must be able to analyze a problem and to separate the wheat from the chaff without being swayed by irrelevant matters—no matter how persuasively they are advanced.

This means that he must be able to recognize the essential ingredients and, in fact, introduce them if they have been omitted from the information supplied him.

3. *Knowledge.*—It is difficult to apply analytical ability to a specific problem without background knowledge. If it were not so difficult to assign priorities, I would put "knowing your business" up near the top of any necessary qualifications for a good actuary. No matter how smart a man is, he is not going to be very useful as an actuary if he does not have sufficient experience in his particular field to know what has gone before him and just what rules of the game apply in each instance. He must have sufficient "feel" of the problem at hand to know his way around it and to see how it fits into the broader scheme of things. In fact, he must have this knowledge and experience ingrained in his bones so that it becomes a matter of second nature to him.

To quote Mr. J. H. Gunlake from his presidential address before the British Institute in 1960, the actuary must have "the intuition to perceive the connection between apparently unrelated things."

4. *Ability to apply and express knowledge: Communications.*—It hardly needs emphasis that an actuary's usefulness is limited—no matter how good he is at coming up with the right answers—if he cannot communicate these answers to others in such a way that they can understand and accept them. Naturally, the first requirement is to get the answer, and the technician who can take a mass of information and come up with an answer is necessary and useful. How much more useful he becomes if he also possesses the ability to communicate the problem,

the solution, and the reasons therefor to others who have not had his technical training!

5. *Sound judgment.*—Each of these qualifications leads naturally to the next. Analytical ability, knowledge, ability to communicate, are all essential, but they are not of much value to an actuary unless they are coupled with sound judgment. It is possible to come up with a beautiful theoretical answer that just is not worth anything in a particular set of circumstances. One must know not only that the answer is correct but that it makes sense. I am sure that all of you know people who are very smart indeed and have all the answers, but they are seriously lacking in judgment. Sometimes they do not recognize what is important. They fight, bleed, and die for something that they are quite right about but that really does not make any difference. It is necessary to know when to fight and when not to fight, what is fundamental to the solution of the problem at hand and what can be passed over in the interests of getting to something more important. That takes practice and experience as much as anything else; it is difficult to get out of a book. In fact, we all know people who have acquired this kind of judgment even without the benefit of actuarial examinations.

6. *Creativeness.*—Here is a quality that is a little different from the preceding five very closely interrelated qualities but which is nevertheless very important. There are, of course, many areas in which actuaries can make great contributions without necessarily being creative. We must have technicians, and it in no way downgrades their importance to say that we must also have new ideas. Sometimes it is necessary to have one man or a group of men to dream up the new ideas and to have technicians to look for the holes. This often happens. On the other hand, a competent technician who is also creative, who can dream up a new kind of insurance policy, design new forms of employee benefits to meet changing needs, or develop new ways of extending coverage or of funding a pension plan in order to meet the particular objectives of an employer or union or both, and who can at the same time recognize whether it is practical as well as creative is a particularly valuable actuary.

7. *Integrity.*—Finally, and the quality that I would confidently say is the most important of all, is complete integrity. I cannot think of what use an actuary is to anyone, whether he is in the insurance field, the consulting field, the employee benefit field, or government operations, if his integrity is not above reproach. And it must not only be above reproach; it must also *appear to be* and *be known to be* above reproach. An actuary is most useful if everyone acknowledges that when he says something one can count on it. You may decide not to take

his advice for what, to you, are good and sufficient reasons, but at least you know that he is giving you a straight story as he sees it and is not cutting corners or holding anything back.

I think that it is probable that every Fellow of our Society has at one time or another been in a situation in which his personal integrity was his strongest support. This is true whatever line of actuarial work one pursues. Actuaries seem to find themselves in the middle of all problems—some people urging a decision one way and some urging a decision another way. In not a few situations he will find himself alone, with everybody pressuring him to make a decision a certain way when he knows very well he should not.

It is not only actuaries who are under pressure in this competitive world we live in. But actuaries have responsibilities of a very special nature, and, if we want to be worth our salt as professionals, we must recognize our responsibilities and stand firm when the going is tough. In the present state of the social and economic development of the United States and Canada, in fact, of the entire world, it seems to me that the actuary's responsibility extends beyond whatever particular problem he may be considering at the moment. His decisions or his advice can vitally affect the future economic and social development of the whole country. His work is closely enmeshed in the warp and woof of its economic fabric. With 130 million policyholders, together with their beneficiaries, there is hardly a family that does not have part of its economic future tied up with a life insurance company. With 35 million people having a private pension program of one form or another, we have another tremendous group of people (with considerable overlap, of course) relying on actuaries to play well their significant role in the sound design and operation of these programs for their economic security in old age. And, when we come to social security, practically everyone in the entire population, whether he knows it or not, has a stake in the quality of the actuarial advice entering into *its* design and operation.

Thus, the individual actuary must decide for himself the extent to which, in order to live up to his personal professional responsibilities, he must consider how his immediate work fits into the broader fabric. He might with truth give a technically perfect answer to a technical question, but he might, at the same time, be lending his personal prestige and dignity—and that of his profession—to an answer that might, in the long run, prove to be against the best interests of the general public, as well as those of his own employer or client. He must decide whether he is within his professional rights if he sticks to his technical

answer, or makes a technical calculation on a set of assumptions set out by someone else, without pointing out any broader implications that may be involved.

If the actuary can go one step further, he is really a paragon of virtue; that is, if he can not only resist pressures and come up with the right answers but also persuade the other fellows to accept those answers and even like them. This is a nice tightrope to walk and requires large doses of all the qualities previously outlined in order to carry it off.

To help him in some of these situations, the actuary has a set of guides. All of you are familiar with the Society's "Guides to Professional Conduct." While these can be helpful in the particular situation in which an actuary's responsibilities appear to be complicated and cloudy, they are, of course, founded on the basic rock of personal character. *Without* personal character and integrity, guides to professional conduct are meaningless. *With* basic personal integrity, they are really not necessary—but they are and can be helpful.

There is one other subject that I would like to mention today, since I believe that it fits in with this concept of an actuary's responsibilities to society, to the Society, and to each other. That is the question of whether the Society as such, its Board of Governors, or any of its committees can or should take a position on matters of public concern in areas wherein actuaries have special professional competence.

The Society's Constitution states, "No resolution expressive of opinion shall be entertained at any meeting of the Society of Actuaries." This has often been referred to as prohibiting the Society from taking a position. I am not sure whether it should or should not be expanded to imply any prohibition other than the limited prohibition it plainly states. However, rather than debate what this provision of the Constitution means, I hope that the Society will at an appropriate time have a full-dress discussion of the matter on its merits.

Mr. Walter Klem's Committee on the Future Course of the Society is giving this matter serious consideration, and you will hear further from him later in this meeting. Right now a very pertinent question is before us, arising out of the Cabinet Committee on Pension Programs appointed by the President of the United States.

The Cabinet Committee has asked Mr. John Miller, who is chairman of the Society's Special Committee on Pension Plan Problems, to designate a group of actuaries to discuss the Cabinet Committee's report. So far, Mr. Miller's group has participated in this discussion as a group of individual actuaries. However, we may soon be faced with the question of whether the Society should make any statement or appearance

before a legislative committee considering specific legislation in this area. This particular pension subject will also be open for discussion during the course of this meeting.

Without coming to any preconceived opinions, I do hope that the entire question of whether the Society, its Board of Governors, or one of its Committees should be able to take a position on a public question of particular interest to actuaries in their individual professional capacities will receive very careful, thorough, and sympathetic consideration. I recognize that the very points on which we may be asked to take a position are likely to be controversial, and it may often be quite difficult to reconcile substantial differences of opinion within the Society. However, this is undoubtedly true of other professional organizations that do take public positions on important subjects. And, if we confine ourselves to matters strictly within our professional competence, these difficulties should be minimized.

On any particular matter brought to our attention, of course, it may not be possible to obtain anything approaching a consensus. However, even if it were necessary to publicly state that there are differences of opinion within the Society and to set forth the reasons for each opinion, there might be occasions when that would be preferable to taking no position at all. Just where in this area the question of taking a position on the President's Cabinet Committee on Private Pensions would fall can better be determined after we have the benefit of the discussions later in this meeting.

Perhaps it would be appropriate to terminate this part of my remarks by quoting Andy Webster in his presidential address in 1964: "If we continue our silence about matters within our knowledge and our skill, some other, and possibly less capable, group is going to make itself heard."

From my remarks here today, you may have gathered that I think the Society of Actuaries is a great organization. In my not entirely objective viewpoint, it is made up of an outstanding group of citizens. We have inherited splendid traditions from our predecessors. It is the Society of Actuaries that gave us all the opportunity to get where we are today, and it seems to me that we owe a great debt to the Society and to the actuarial profession. Speaking for myself, if I had the choice to make over again, I can think of no better profession to have entered. I am glad and proud to be an actuary.

It is up to us to uphold these fine traditions and to do everything possible to continually improve the reputation and the character of the professional actuary and his Society. I would find it difficult to improve

on the words used by Mr. Frank M. Redington in his presidential address to the Institute of Actuaries in 1958: "The tradition which is handed to us is something alive, something to be added to, and what any one of us adds must, for better or worse, be part of himself."

As I turn over the duties of this high office to my eminent successor, Harold Lawson, and look down the future to the long line of succession beyond, and as I think about the many friends that I have made in the Society of Actuaries, I know that the future of the Society is in good hands. I commend it to all of you.