

## TRANSACTIONS

OCTOBER, 1967

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### ADDRESS OF THE PRESIDENT, HAROLD R. LAWSON

**T**HIS morning I would like to talk to you about the actuarial profession on the North American continent, with particular reference to the international character of our membership. It is appropriate that I should be the president to deal with this subject, as my personal interest in it goes very deep. I was born in Toronto, Canada, and, while there, became a Fellow of this Society and obtained my early experience in the life insurance business, although it was perhaps prophetic that during my infancy my family lived briefly in both New York and Philadelphia. After nearly nineteen years with the same company in Toronto, I moved to Worcester, Massachusetts, and subsequently became an American citizen. About eight years later I returned to Toronto and resumed my Canadian citizenship, although I left one daughter as a hostage, as it were, to the United States and took one back who can claim United States citizenship by right of birth. I was still resident in Canada at the time that I was elected president-elect of the Society, but by the time I became president I was living in Glens Falls, New York, employed by the same international group of insurance companies. It is doubtful if any other member of the Society can have a more personal interest in the fact that its roots are firmly imbedded in the soil of two separate, sovereign nations—the United States and Canada.

The organizational meeting of the Actuarial Society of America was held in New York City on April 25 and 26, 1889. It is interesting that these particular dates were chosen to avoid a conflict with the one-hundredth anniversary of George Washington's inauguration, which was to be observed the following week, and with the thought that some of the members might like to remain over for the celebration. There were thirty-seven charter members of the Society; of these, four were Canadians—a percentage remarkably similar to Canada's share of the total population of the two countries. The Canadians were William Hendry, of the Ontario Mutual Life (now the Mutual Life of Canada); T. B. Macaulay, of the Sun Life; William McCabe, of the North American Life; and W. C. Macdonald, of the Confederation Life. At this first meeting

very little reference was made to the international character of the Society, but what was said is worth repeating here. During the business session there was some discussion of the composition of a Committee on Organization, and Mr. McCabe remarked, "Perhaps as one from Canada, I should suggest that the idea of geographical distribution should be dropped altogether. I think what we want in this Committee is ability and experience to draw a proper Constitution. It should be made up of the best men." Later on, during a more informal after-dinner program, Mr. McCabe added, "I am glad to observe that in the formation of this body no geographical lines have been recognized. It embraces, I believe, all the continent. . . . And, notwithstanding the differences that people have sometimes endeavored to make between the Anglo-Saxon race, I believe the same sentiment runs through both the American and British people."

Over succeeding years Canada's proportion of our membership has tended to grow, with the result that the 1967 edition of our *Year Book* shows 18 per cent of the Fellows and almost exactly the same percentage of the Associates to be residents of Canada. Canadians have also taken an active part in the affairs of the Society, serving as officers and on committees, presenting papers and contributing to discussions. It is possible that the quantity, but not necessarily the quality, of this participation has been somewhat less than the proportion of Canadian membership would have suggested. The statistics most readily available to me show that, of thirty presidents of the original Actuarial Society of America, four were Canadians; of twenty-two presidents of the American Institute of Actuaries, three were Canadians (including the redoubtable John G. Parker, who was the only man ever to become president of both the Society and the Institute); and, of eighteen presidents of the present Society, three have been Canadian, if I may include myself in that category. The proportion of Canadian vice-presidents in the Actuarial Society and the American Institute was roughly the same—a little over 10 per cent—but in the Society of Actuaries seven of the thirty-one vice-presidents have been Canadians—a ratio of over 20 per cent.

While Canadians have continued in this way to participate in the membership and activities of the Society and its predecessor organizations, they have also been active in their own country. Undoubtedly one of the first actuaries' clubs to be formed was the Actuaries Club of Toronto, which dates from 1907, and, from the beginning, one of the acceptable requirements for membership in the Club was Fellowship or Associateship in the Actuarial Society. In its time this Club contributed in many ways to the actuarial profession and to the life insurance industry in

Canada. The Club continued in existence until 1946 when, in collaboration with the younger and smaller Actuaries' Club of Winnipeg, it was reorganized as the Canadian Association of Actuaries. It survived in this form until 1965. It is important to understand that the Canadian Association of Actuaries was never a competitor of the Society; it never conducted its own examinations but drew its members from the Society, the Institute of Great Britain, and the Faculty in Scotland. It operated very much as do the several actuaries' clubs in this country, although it numbered more members than most, if not all, of them.

In very recent times a new factor has entered the picture which, although not directed in any way at the international nature of the Society, indirectly affects and, possibly, threatens it. I refer to the desire on the part of actuaries, particularly those in public practice, to seek legal recognition and, ultimately, accreditation or licensing. This has led, in this country, to the members of this Society, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, and the Fraternal Actuarial Association joining forces to create a new supersociety called the American Academy of Actuaries, incorporated in the State of Illinois. In Canada a parallel movement has led to incorporation by an Act of Parliament of the Canadian Institute of Actuaries, which has completely replaced the Canadian Association of Actuaries.

These new organizations—the American Academy of Actuaries and the Canadian Institute of Actuaries—by the very nature of their purpose and their incorporation in the respective countries of their domicile, cannot possibly be as international, or non-national, as has been traditional for our own Society. That this is so is borne out by provisions in their bylaws. One sentence in the bylaws of the American Academy of Actuaries reads in part as follows: "Any person . . . may apply for membership and shall become a member by meeting the following requirements (and if not a resident of the United States such other requirements as may be established by the Board of Directors). . . ." The bylaws of the Canadian Institute of Actuaries contain several references to residence or place of work, as exemplified by the following brief excerpts: ". . . and that a substantial part of his actuarial work has been in Canada and that he is currently engaged in actuarial work in Canada . . ."; ". . . that his responsibilities will require him to furnish actuarial advice within Canada or to sign an actuarial certificate required by statute of Canada or one of its provinces . . ."; ". . . if residing in Canada. . ." There are also other references to this subject, and, in regard to students of the Institute, the bylaws make it perfectly clear that they must reside in Canada.

The fact that the American Academy of Actuaries is geared to serving

members who are resident or working in the United States does not directly affect the international nature of the Society of Actuaries, which will presumably continue to operate as a separate organization. The threat to our internationality arises from the fact that the Canadian Institute could decide to set up its own examination system, with the result that future candidates for membership might lose interest in trying the examinations of the Society. This development would, of course, be accentuated if the Academy of Actuaries—a national organization—were to take over the examination system now administered by the Society and, in part, by the Casualty Actuarial Society. Before proceeding to a brief consideration of the arguments for and against separate examinations, it is well to bear in mind that in the United States the Society and the Academy are organized to serve two distinctly different purposes. The Society is the professional arm of the actuarial organization and the Academy is the accrediting arm. In Canada the Canadian Institute is the only body and serves both purposes.

For separate examinations in Canada it is argued that licensing or accreditation by federal and provincial authorities in Canada might be easier to obtain if the examining body is a Canadian one. If the examining body is to be an international one, it is important for Canadians to be adequately represented on its education and examination committee and for the course of study to give adequate emphasis to Canadian subject matter. In the Society of Actuaries, at the present time, only 12 per cent of the members of the Education and Examination Committee are Canadians, and Canadian content in the course of study is considered deficient in such subjects as accounting, investments, social insurance, law, and income tax. The Canadian Institute must also be mindful of the needs of students whose mother tongue is French. Finally, it is argued that meetings of the Society are too large and often of limited value to Canadians in their pursuit of useful knowledge. Of course, as I have already said, if the Academy were to take over the examination function in the United States, the argument for separate examinations in Canada would be that much more compelling.

The principal argument against the establishment of a separate education and examination system by the Canadian Institute of Actuaries is the amount of work involved. While the number of students would presumably be only about one-fifth of the number handled by the Society, the extent of the subject matter and the volume of reading required would be about the same. At the present time, there are 137 members of the Society on its Education and Examination Committee, and they devote a great deal of time to it. The Canadian Institute could not begin to

mount an effort of this magnitude. It has only 461 active members, some of whom have never passed Fellowship examinations; only 18 are on its own Education and Examination Committee, and only 17 are on the corresponding committee of the Society. If the Canadian Institute were to set up its own education and examination system, there is a distinct possibility that it could not maintain the high standard of the Society. It is also likely that at least some of the Canadian students would prefer to become members of an international organization such as the Society. There is the further point that, even if the Canadian Institute undertook to duplicate the work of the Society, it could scarcely offer a Canadian counterpart to the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, or the Fraternal Actuarial Association, so some Canadians would probably continue to seek affiliation with these organizations in the United States.

It is my understanding that few, if any, members of the Canadian Institute would like to see a completely separate education and examination system set up in Canada. There is some opinion that the early examinations of the Society, say, up to the Associateship level, serve the purpose adequately and that a Canadian counterpart to the later examinations should be provided in Canada. It is, in fact, possible that this degree of made-in-Canada separation might become necessary if the Canadian Institute should decide to seek the licensing of actuaries. On the other hand, many Canadians still feel that the Society examinations could be modified sufficiently—possibly by optional questions—to adapt them to the needs of Canadian students. To this end a Committee of the Canadian Institute, working in close liaison with the Education and Examination Committee of the Society, is presently engaged in an intensive study of the content of the course of study and the problems of providing more Canadian subject matter.

It is, perhaps, germane to my theme to mention the duplication of educational work that already exists among the various actuarial organizations and the possibility of its being compounded further. The American Academy of Actuaries, as we have noted, is the offspring of the Society of Actuaries, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, and the Fraternal Actuarial Association. Each of these parent organizations still exists, and we should be aware of the extent to which they complement each other or overlap.

The Casualty Actuarial Society was organized in 1914 to serve the needs of actuaries, and to develop new ones, in the property and casualty field. It is international in character but, out of approximately 450 members at the present time, only 11 are resident in Canada. It has admitted

new members by examination since 1915, and, over the years, there has been no reciprocal arrangement with our Society whereby each would give credit for examinations passed in the other. However, the two Societies now collaborate to the extent of jointly sponsoring the first two, or so-called preliminary, examinations. Following the completion of these two examinations, the student presumably must have finally decided whether his lifework is to be in the life or the property and casualty field. In this day of multiline company groups, and with some actuaries engaged in government supervision or otherwise required to straddle the insurance lines, this is not a completely satisfactory arrangement; indeed, it has not been so in my own case.

The Conference of Actuaries in Public Practice was organized in 1949 to meet the special needs of actuaries providing consulting services to smaller insurance companies or practicing in the rapidly growing field of self-administered pension plans and other employee benefits and to give recognition to a large number of actuaries practicing in this field who were qualified by experience rather than by examination. The Conference is also international, but only four of its members reside in Canada, which is less than 2 per cent of its total membership. As yet the Conference has not given examinations for the admission of new members, but it has a commitment, presumably rescindable, to do so by 1970. While it is true that our Society now offers optional examinations in the field of employee benefits, in connection with Parts 9 and 10, there is some feeling that this does not completely answer the problems of consulting actuaries. I recently had a letter from one of our own valued members, who is in consulting practice, in which he pointed out that, while 16 per cent of our Fellows are consultants, only 7 per cent of our officers and board members are consultants. He wryly suggested that what is needed is a civil rights movement to end the discrimination of the Society against consulting actuaries!

Finally, there is the Fraternal Actuarial Association, which was organized in 1916 to enable actuaries associated with fraternal insurance companies to meet together for their mutual benefit. It, again, is international but, of 136 Fellows and Associates, only 9 are residents of Canada. The Fraternal Actuarial Association does not operate an examination system but requires that members be members of our Society or other comparable actuarial organizations.

All in all, we see a picture of confusion more than twice confounded. The Casualty Actuarial Society and our Society already have largely separate examinations, the Conference of Actuaries in Public Practice is at present committed to setting up its own system, and it is possible

that the American Academy of Actuaries and the Canadian Institute of Actuaries might do the same thing, at least in part. Think of the duplication that would be involved and the waste of time and talent by actuaries who have other work to do and the responsibility of earning a living! Think of the confusion that would be created in the minds of young men and women who are interested in the possibility of an actuarial career but do not know which route to follow! To think of this monstrous prospect is to decide emphatically that it must not be allowed to happen.

What should be done? I am not going to presume on my present opportunity to engage in debate on alternative courses of action that could be followed, but I would like to pass on to you two refreshingly frank statements of opinion which have been made to me recently by non-members of our Society, and I would like to enunciate certain general principles which, in my judgment, should guide our actions.

A prominent member of the Casualty Actuarial Society, speaking for himself alone, recently said to me, "I feel it to be inevitable that, at some future time, there will be a consolidation of exams and organizations. . . . Organizationally, there should be only one actuarial organization—the Academy—comprised of several sections, such as life, casualty, and so forth. Each section could have its own rules, meetings, and the like, but be subject to general Academy by laws relating to ethical practice, standards of competence, and similar over-all items." A prominent member of the Conference of Actuaries in Public Practice, likewise expressing his personal view, said, "There may come a time when the examinations are standardized to (the Associate level) by each of the four component actuarial bodies. Thereafter an actuary will pursue the examinations and course of study in that actuarial body which most suits his needs. . . . The Conference view is that the Society examinations leave much to be desired in preparing an actuary for consulting practice. If the Society examinations can be modified in the future to cover adequately the consulting practice, then the Conference might use these examinations for qualification in the Conference. Otherwise, separate examinations will be required."

I will offer only three general principles: (1) duplication of effort should be avoided to the greatest possible extent, to which end the optimum goal should be to repose the responsibility for education and examination in one organization only; (2) the one organization with responsibility for all education and examination, or that major part of this work that is common to all branches of specialization in our profession, should be an international one, which means that the Academy of Actuaries would not qualify; (3) our Society should do everything possible to meet the re-

quirements of our Canadian brethren so that they can always look on the Society as their professional home and the source of all the formal actuarial education that they will ever need.

In the meantime I am happy to say that at the meeting of the Board of Governors yesterday the Board agreed that the establishment of a Joint Committee on Review of Education and Examinations would be in the best interests of the Society and the actuarial profession and authorized the president to appoint three members to represent the Society on such a committee, provided that a similar authorization is passed by at least three of the five other recognized professional actuarial organizations in the United States and Canada; the Board further agreed, and so resolved, that this committee be (1) charged with a continuing review of policy matters relating to the education and examination of actuaries and (2) empowered to study these matters and, when appropriate, to make recommendations on them to the governing bodies of the organizations represented on the committee.

For myself, I am tending to the conclusion that our Society should broaden its horizon and, unilaterally, if necessary, extend its education and examination system to include property and casualty insurance and the work of consulting actuaries, as well as additional Canadian material. Essentially this would seem to mean adding additional options, such as the "E" and "I" alternatives now offered in connection with Parts 9 and 10. It might mean building a college-type educational organization which would offer general actuarial subjects and a variety of specialized subjects, with Associateship and Fellowship degrees awarded on the basis of a certain number of accumulated credits. Such an organization might also offer certain postgraduate courses, and it would probably involve the employment of a number of full-time, salaried instructors. A concomitant development would be a partial departure from regional meetings in favor of seminars, or meetings each of which is entirely devoted to areas of specialization.

May I say a final word about Canada, which is the topic I started on. With Canadians we share a common ancestry. We are literally blood relatives, and practically all of us in this room have close relatives on the opposite side of the border. We also have friends and business associates on the other side. Many of our insurance companies and consulting firms do business in both countries. We are the same kind of people. The reason that divided us almost two hundred years ago has long since ceased to have any relevance. We share the most glorious and munificent continent on the face of the earth, the only thing marring it being the man-made line drawn across the middle of it. In the world of today, where national-

ism is rife and petty nations are insisting on their rights, Canada and the United States should make common cause together in every way possible and set a good example to the rest of the world. I admit that actuaries are a small group and cannot do much on their own, but let us not give up what we do have and what we have maintained for the past seventy-eight years—a truly international brotherhood. Ours is a scientific profession, and science knows no national boundary lines. In the words that Mr. McCabe uttered in 1889, “I am glad to observe that in the formation of this body no geographical lines have been recognized.” In words from a letter received only last month from my good friend, the incomparable Arthur Pedoe, “I think it will be a national tragedy if we Canadians refuse to recognize that this North American continent is economically one unit.”

Now, as I fade away, I would like to say again how deeply I appreciate the honor that you did me two years ago in naming me your president-to-be. This Society has been by far the most important influence in my life since I wrote my first examination in the year 1927. During the past year many, many members have given unstintingly of their time to serve the Society with great ability and devotion. Alas! I cannot name them all, but it is this type of service, unsung and unrequited, that has made our Society the great institution it is today. As the wealth of a nation derives from the excess of what its citizens create over what they consume, so the greatness of an organization is built on the net contributions of its members. Paradoxically, the members do have their reward, for, as Thomas Carlyle said in my favorite maxim, in which he depicted happiness as a fraction, the numerator of which is what we get out of life and the denominator what we demand: “So true is it, when I then say, that the Fraction of Life can be increased in value not so much by increasing your Numerator as by lessening your Denominator. Nay, unless my Algebra deceive me, Unity itself divided by Zero will give Infinity.”

My wish for each of you, in your relationships with the Society and in all the affairs of your life, is that your quotients may all be big ones!