

TRANSACTIONS

OCTOBER, 1973

ADDRESS OF THE PRESIDENT, THOMAS P. BOWLES, JR.

TODAY is that day. Today for me shall be forever. For you it is probably only a day during which you dedicate a brief part of the morning to the man who will soon be leaving this office. This morning the message is from one who has known the Society intimately; who has known you, the members from whom the Society's greatness is derived; and who has been a member of your Board of Governors, a Board which has the mature perspective required to recognize opportunities, define problems, obtain solutions, and adjust adequately to a changing professional environment.

Over the years my heart has been strangely warmed by your consistently positive response to the call to serve your Society. It mattered not whether you were the assistant actuary of the Okefenokee Swamp Mutual, were alone in private practice, or were the chief executive of a multibillion-dollar empire; you have, indeed, responded to the needs of your profession by your unselfish service to it. That response is another evidence of your dedication. If you were not so dedicated, you would not be here today. If you were not so dedicated, you would not have created and maintained the disciplined academic structure through which have moved the one hundred and thirty young men and women who this morning wear the gold ribbons, evidence of achieving Fellowship in the Society. During these three days they also shall join their peers to add the strength of their youth to our relatively young but vigorous profession.

Today we are struggling for maturity as a profession—a struggle to increase in stature and in favor with men. It is a struggle perhaps not only for maturity but even for survival. The world seems to be going through some kind of a revolution. The problem of all individuals and social bodies in a revolution is to survive. You will recall that when the Abbé was asked, "What did you do during the French Revolution?" his reply was *J'ai survécu*—"I survived."

The actuarial profession will mature and survive as a profession as and if it becomes recognized and accepted as a public servant. Recognition and acceptance must be merited. The actuary must respond to the demands of maturity by placing the well-being of his profession above the

well-being of his employer, a task which may be more difficult for the company actuary. The consulting actuary must assume full responsibility for his actions and accept the liability related thereto. We must purge from our minds the conviction that, as some dreamers hold, the actuary per se is a unique creature of God and is immune to those forces and insulated from those circumstances which create conflicts of interest—conflicts which threaten our position as protectors of the public. If we are to merit acceptance among the public as a profession, we must expose to critical scrutiny a codified set of principles and practices by which we measure the competence and ethics of our members and discipline our members. We have only in recent months admitted to ourselves, for example, that we must define adequacy of pension funding schemes and adequacy of life reserves. The actuary needs to take a close look at himself and the structure of his society and address himself perceptively to today's challenges and threats, so that after the revolution his response may be *J'ai survécu*.

Your Board of Governors is alert to the changing environment. It is dedicated to accelerating our move toward maturity. During the last twelve months the Board has continued to make decisions which place the Society in a stronger position to deal with the external forces which both threaten and require action. A reorganization plan approved by the Board last October increased substantially the responsibilities of the four Vice-Presidents. Each has accepted willingly and pursued vigorously the work forced upon him by this change.

The other members of the Board, the sixty-five committee chairmen, and the seven hundred committee members in many instances also have been required to accept increased responsibility to keep pace with the Society's expanding activities. Our involvement in a changing environment demands an extension of our commitment both in form and in substance. Let me report briefly on some of these commitments.

1. Organization

- a) During the past year the Executive Committee held four three-day meetings. On a rotation basis, other members of the Board were invited to attend some of these "think tank" sessions. This has provided an opportunity for a leisurely, unharried review and discussion of our Society and of our profession and its future. There is an increasing demand by the Society upon the time of your Board and committee members. No longer, for example, can the Executive Committee perform its function by short meetings immediately preceding the Board meeting. Gradually, even the Board meetings are being restructured to make available more time for discussion of policy matters.

- b) The presidents and presidents-elect of the six professional actuarial organizations in North America have begun to meet informally to review areas of common interest and concern.
2. Education
- a) The Education and Examination Committee continues the restructuring of the Fellowship examinations, a process which is evidence of the dynamic nature of the Society's educational structure.
3. Relations with the public
- a) A Committee on Nonforfeiture Values and Reserves was appointed to work on the following basic charge: "Study in depth the underlying actuarial principles involved in, and the practical problems which arise in the application of those principles to, current regulations and practices with regard to valuation and nonforfeiture requirements." The National Association of Insurance Commissioners is aware of and is pleased with our efforts in this area.
 - b) A special committee was appointed to conduct several research projects related to cost disclosure, at the request of committees of the NAIC. This committee will call upon the resources of the Continuing Education Committees for assistance.
 - c) Several instances of alleged unprofessional conduct are being investigated. Since the increased complexity of our profession may lead to an increase in the number of instances of alleged misconduct, the board has authorized the appointment of a committee to review disciplinary procedures.
4. Service to members
- a) A committee was appointed to review the need for, and, if needed, the technique for achieving, positive geographical and occupational representation on the Board of Governors.
 - b) A committee was appointed to review the total literature of the Society, with the following charge: "Explore means of (a) encouraging the preparation and (b) distributing actuarial literature and studies."
 - c) The Society is represented on a joint committee appointed to review experience requirements for membership in the various actuarial bodies.
 - d) The Society is represented on a joint committee appointed to review the definition of, and conditions or circumstances requiring, the independence of the actuary.
 - e) A committee has been appointed to plan for the Twenty-fifth Anniversary Celebration of the Society in New Orleans next year.

The Board has been probing the minds of our members for assistance in the definition of our problems and needs so that suitable policy may be determined and a responsive course charted. The last effort was a questionnaire set to one hundred persons who represented a cross-section of our membership. Copies of the letters from this "Committee of 100" have been distributed to all Board members for their review. Many

others among you have been good enough to offer constructive suggestions. For all this we are grateful.

So much for the action. Let us look at the future. At the annual meeting of the Canadian Institute of Actuaries in May we outlined several major questions to which our profession must find acceptable answers. It was interesting to note that those questions involved the same areas of concern most frequently mentioned by the Committee of 100.

These questions may be grouped into several broad areas:

1. Accreditation

What is required to alert all actuaries in the United States, not just those who appear to have the greatest interest, to the need for accreditation? In the United States, should we re-examine the licensing route to accreditation—as is applicable to C.P.A.'s, lawyers, and doctors—a route which might be impossible until the profession is unified?

2. Professionalism

Will in-house actuaries (those still secure in the employee-employer relationship) accept Guides to Professional Conduct which demand the same professional responsibility and independence required of those in public practice? That is to say, is one prepared to presume that the Guides apply with the same force to all actuaries, even though it may be more difficult to discipline the actions of company actuaries? In the United States regulatory environment and in the light of regulatory precedents, should we accept the conclusion of some that actuarial certificates prepared to provide a basis for decisions by the public must be signed by independent qualified actuaries? Do we have the vision and conviction needed to respond vigorously to the needs of the public in those areas of insurance and pensions where only the actuary can safeguard the rights of the public? Are our Guides to Professional Conduct and interpretive opinions thereof sufficiently definitive that we can relate actions effectively to them, give teeth to our disciplinary procedures, and deal adequately with those who deviate? Can we have discipline as long as our principles and practices are vague and undefined?

3. Education

Does the proposed altered Fellowship examination structure reflect adequately the national environmental flavor relating to law, regulation, taxation, social security, and other areas? Does our literature convince the discerning outsider that we are a profession? What effort is being made to fill the vacuums in our basic record of actuarial knowledge? How do we develop an active, aggressive, and meaningful program of continuing education and conduct meaningful research?

4. Public awareness

How do we develop the public's awareness of our unique expertise so that the actuary is used to tackle those problems which are of public concern and in which the actuary's insight is indispensable? Should our profession take

the story of the value of its expertise to the business community across our countries? Are we prepared to articulate our professional positions and expose our "principles and practices" to the critical scrutiny of business, professional, and regulatory leaders?

5. Organizational structure of the profession

Are our problems in Canada and the United States made more difficult by the Society's being a multinational organization? How can we unify the fractured segments of the profession in the United States so that we eliminate wasteful duplications, conflicts, and confusion in the mind of the public and bring about a unification which will result in a strong, vigorous professional force of one mind and purpose, disciplined by one set of standards?

These are the questions which the Board of Governors, the committees, and you are asking. I can report to you today that with your help the Board and the committees are addressing themselves to the questions and are seeking the answers. We will accelerate the process of maturing and increase the impact of our profession on the public only as we remain vigilant and independently professional, reach logical conclusions, and make intelligent decisions derived from a healthy perspective. However, there is always the danger that in this process we may lose perspective or fall prey to narrow perspective.

Soon after V-E Day in 1945, I was one of several exhausted servicemen on leave from duty in Germany who were traveling in Switzerland. In the small town of Gletsch we were overwhelmed by the splendor and majesty of the glacier from which the Rhone River began its journey to the sea away from the spectacular backdrop of the Alps. Never did we expect to behold anything quite so awe-inspiring. Many years later in a small plane we flew across the landmass of Alaska, gazing upon an almost countless number of glaciers of even greater splendor and beauty. For me Gletsch faded into relative insignificance. One's perspective changes as his knowledge and experience enlarge.

About twenty-seven years ago, at a meeting of the Middle Atlantic Actuarial Club, a Fellow of the Society presented a scholarly paper entitled "The Significance of the Coefficient of Skewness." To a student with the old Part 1 Hall and Knight *College Algebra* behind him, what greater actuarial splendor could there be? The faded copy of that paper holds no great magic for me today. There are other landmasses of scientific knowledge of greater majesty and erudition. One's perspective changes as his knowledge and experience enlarge.

A person's response to an environment is determined in part by his perspective. It may be logical to conclude that the broader the experience and the greater the knowledge, the more mature, the sharper, the

more reliable the perspective. Decisions flowing from such a perspective have less chance of suggesting a conditioned response, which so often is born of narrow perspective. Let me give you an example. In Harold Lawson's presidential address six years ago there was a subtle hint of the need to re-examine the organizational structure of our fractured actuarial profession. Four years ago Wendell Milliman in his presidential address more specifically, but with some restraint, suggested a consolidation of the five actuarial bodies in the United States. Today, with enlarged experience and greater knowledge, it appears that perspective has been changed to the extent that the subtle and restrained recommendations may be supported more actively. Such a consolidation could occur in such a manner as to protect and continue the innate, inevitable, and understandable egocentric nature of each organization.

During the twenty-five years since I received Fellowship in the Society, it has been interesting to observe the actuary's response to diverse environments. Frequently a member of our profession, as the result of either limited experience or inadequate knowledge, and thus deficiency in perspective, is the victim of the conditioned response, particularly in those areas which lie beyond his technical actuarial expertise. In many cases I have concluded that a conditioned response might be due not merely to lack of perspective but also to lack of independent professionalism. I use the word "independent" because professionalism and independence are inextricably woven together. A bit of management philosophy briefly stated will illustrate the point. In the management process, whether it involves a board, a committee, or some other group, there must be an essential prelude to constructive action. The prelude consists of three steps: (1) free and uninhibited discussion in which contrary opinions and convictions may be aired freely, eloquently, and comfortably; (2) the decision; and (3) unanimous support. It is in the first step that we have a threat to the full measure of independent professionalism.

This is neither the time nor the place to catalogue for you the evidence of the failure of so many of us to be actively independent professionals in that first step. Being independent is more difficult, of course, when management does not create an environment in which there can be free and uninhibited discussion. If such an environment does not exist, as is the case, perhaps, in some large and small companies or consulting firms, a contrary position, however eloquent and logically persuasive, may cause the actuary to face the danger of incurring the displeasure of management, that is, his boss, a displeasure he would devoutly wish to avoid. What is

his professional posture in such a case? Should he be a realist, or should he be an independent professional?

When I first entered public practice, I received good advice from an elder statesman of another profession: "Expose and fight for your convictions, but recognize that in so doing three things will happen: (1) you will make friends; (2) you will step on toes; but (3), what is more important, you will sleep at night."

This I found to be true the hard way. Perhaps each must have his hard lesson, which, hopefully, is at once an initial and a final experience. Shortly after entering consulting in 1948, I joined the crowd in recommending to a client a course of action involving a systems concept. The client thereupon embarked upon a course traveled by many who took the easy, obvious way. Gradually during the next few weeks I recognized that my concurring in that recommendation was prior to giving adequate expression to my lurking doubt of the wisdom of the choice. I did not sleep well at night until I decided to reopen the case and expose and fight for my convictions, even though I knew I would step on toes. The earlier decision was reversed. In retrospect it became clear that the new course was wise. I then slept—not because the course was changed but because I had exposed and fought for my convictions. That was good advice.

During the years since that time, I have exposed and fought for my convictions. It is the exposure and the willingness to "stand and be counted" that produce sleep, not the ultimate decision. If the decision cannot be supported because of professional conflict, the actuary should remove himself from the environment which creates the conflict. The consultant will lose assignments because of the exposure of his convictions, that is, by being actively an independent professional. It may be more difficult for the actuary who is bound to an employee-employer relationship to maintain consistently such a posture of independent professionalism. At least we should expect that the public might presume a difference between the independent professionalism of an employee and that of one who personally assumes the responsibility for his opinion and is held personally liable therefor.

Our profession needs mature perspective and independent professionalism. Our voices must be raised as one on issues to which our profession is expected to respond. This process has already begun on several fronts. Let us not forget, however, that our profession has been and must continue to be founded upon the solid base of scientific knowledge, exploration, and research in those areas which embrace our academic discipline. Let us not become so enamored of our academic and scientific achieve-

ments that we lose the mature perspective required to define adequately that wide range of activity in which the public may expect us to be involved, and let us have the professional independence and courage to speak, in fact, as independent professionals. If we are to mature as a public profession, and achieve as a profession the public recognition that we seek and believe we deserve, we must tackle with intelligence, understanding, and mature perspective those problems which face us today. The long-term vigor of the Society is measured by, and reflects its willingness to fight for, what it believes to be right.

Recently, while visiting the home office of an insurance company, I read a booklet prepared by the company for its leaders' conference. Let me rephrase its prologue and leave it with you today: "Ordinary people set ordinary goals and are satisfied with ordinary achievements. Our Society has extraordinary people who set extraordinary goals and are satisfied with nothing less than extraordinary achievements." Ours is a quest for professional excellence. We are reaching for goals which extend beyond ourselves. To you, the Fellows and Associates of the Society of Actuaries, go the laurels of leadership. May God bless you in your continued achievement and in your dedicated service to your profession.