

TRANSACTIONS

ADDRESS OF THE PRESIDENT, E. PAUL BARNHART

THE SOCIETY AT AGE THIRTY: AN INTIMATE FAMILY TALK

THIS is meant to be an intimate family talk. I am going to ask some candid questions. I am going to do some scolding. I am going to express some warnings. I am going to issue some challenges. But all, my dear friends, within the family.

But first let me take a look at this family that is the Society of Actuaries as it attains age thirty. One interesting approach to the study of a living organism is through examination of its special organs. The spider, for instance, becomes a fascinating subject when studied in terms of its unique organs for silk spinning, for sensation, and for digestion.

The vital organs of the Society are its committees, through which it has functioned since its formation in 1949. I found it most interesting to survey the growth of the Society in terms of its committee structure, over the three decade intervals from 1949 to the present.

At its birth in 1949, through the merger of its two predecessor organizations, the Society's committee structure consisted of the following fifteen committees, treating its most complex and fundamental committee, the Education and Examination Committee, as a single "organ" rather than as several:

Education and Examination	Disability
Review	Papers
Aviation	Publications
Ordinary Mortality	Library
Group Mortality	Program
Press	New Recording Means and
Admissions	Computing Devices
Investments	Board of Governors

Of these, three (Admissions, Investments, and the Board itself) may be regarded as administrative committees and one (Press) as a service committee; the other eleven were devoted to the basic functions of education and research to which the Society has always been committed.

At the inception of the Society, its membership consisted of 642

Fellows and 427 Associates, for a total of 1,069. Without allowing for duplications (probably on the order of 10–20 percent of the number) the committee personnel totaled 137, 21 percent of the number of the Fellows, and the committee roster occupied three pages in the original *1950 Year Book*.

A decade later, in 1959, the membership had grown to 1,026 Fellows and 796 Associates, for a total of 1,822. The number of committees had grown to 24, with personnel of 251 (unadjusted for duplications), amounting to 24 percent of the number of Fellows; the rosters occupied seven pages in the *1959 Year Book*.

By 1969 our membership consisted of 1,763 Fellows and 1,512 Associates, totaling 3,275. Some would say the committee structure took a turn for the better: it declined from the 24 of 1959 to 23 in 1969. However, the committees now occupied fifteen pages in the *1969 Year Book*, with the unadjusted personnel totaling 427, still equal to 24 percent of the number of Fellows.

As of July 1, 1979, our membership has grown to 3,943 Fellows and 3,029 Associates, a total of 6,972. Our committees now have proliferated in number to 46, so that we have evolved into a most complex organism indeed. The unadjusted number of personnel now is 738, equal to 21 percent of the number of Fellows.

By the way, I gleaned this information from the *1979 Year Book*, which I have here with me, and the committees occupy 27 pages in this current *Year Book*. (Oh yes!—some of you have never seen the *1979 Year Book*, have you? This one is a rare edition, which I keep under lock and key, since only this single copy is known to exist!)

How do the committee functions divide up today, as compared with that original list of fifteen committees in 1949? Six are essentially administrative, and six more fall in the area of service to the membership and the public, with the remaining thirty-four still, in the broad sense, devoted to education and research. Thus, while the basic functions of the Society have remained the same—education and research—the Society has also evolved significantly in fulfilling increasingly complex functions as a professional membership society, devoted to membership and public needs beyond the purely educational and research functions. The Society continues, and *must* continue, to take seriously *both* of its basic objectives, as stated in Article II of our Constitution:

Its objects are to advance the knowledge of actuarial science and to promote the maintenance of high standards of competence and conduct within the actuarial profession.

So then, as the Society attains age thirty, where are we at? Are we headed in the right direction? Are we making significant progress?

Let me relate a little true story out of my own family. My youngest son, in graduate study at the University of Illinois a year ago, came home to St. Louis for Thanksgiving. He complained of his roommate's incessant cussing, especially of the fact that "his cusswords have no logical relevance to his subject." I suggested that, if it really irritated him that deeply, he discuss the matter candidly with his roommate. A month later, he came home again for Christmas, and I asked how matters were with the roommate.

"Well, Dad, things are a lot better, although he still cusses all the time."

"Then how can things be better?"

"Because, Dad, now he's cussing so much more intelligently!"

Well, that sounds like progress, doesn't it? How about us, in the Society? Are we at least "cussing more intelligently"? Are we doing better than that? Are we even doing that well?

As we look at where we are and where we may be headed, it has become clear that a basic issue now centers upon the *meaning* and the *value* of the F.S.A. itself. The F.S.A. really incorporates three concepts, melded together:

It is the *mark* of rigorous educational achievement.

It is a respected professional *designation*. At least that is in general true within the life insurance industry.

It is the *badge* of full membership in a professional society.

You say, "OK, that all sounds fairly obvious. What's the point?"

During this past summer, an amendment to Article III of the Society's Constitution was submitted to the Fellows for a vote: a proposal for "consolidation" of the Fraternal Actuarial Association with the Society. A total of 2,697 Fellows voted, 68 percent of the 3,943 Fellows eligible as of July 1, 1979. This was the largest number ever to vote on any Society matter. Only 2,227 voted in the more recent election of officers for 1980. Clearly, the "FAA proposal" turned out to be a "gut" issue, and it was soundly rejected. Requiring a two-thirds majority, it received a "yes" vote of only 47 percent, with 53 percent opposed. (I almost said "53 percent contrary" but decided that "opposed" sounds a bit better.)

I want all you rascals who voted among that 53 percent to realize that you created massive guilt trauma and a sense of "impaired credibility" among some members of your Board of Governors. I have heard rumors

that four or five of them have scheduled appointments with their psychiatrists, in attempts to dispel their guilt complexes.

Some believe that we may have done the right thing—but at the wrong time—or in the wrong way.

Some believe that what we did was the wrong thing—at the right time.

Several believe we did the wrong thing at the wrong time. Perhaps even wrong at *any* time.

Now, my friends, that leaves only one other conceivable combination, doesn't it? Is it just possible that the Board actually did the RIGHT thing—at the RIGHT time? Some of our Board members may have long forgotten that back in January of this year when this proposal was brought before the Board the very real possibility of its rejection by the Fellows was discussed, the conclusion being that we would still have learned what chance “reorganization” proposals of this sort may actually have of getting anywhere.

We most certainly learned, and my own conclusion is that this proposal was indeed the right thing, at the right time. I have canceled my own appointment with my psychiatrist. Now our dear friends in the Fraternal Actuarial Association—and I assure you that they are indeed our dear friends—may well disagree with me. This small actuarial association with about 123 members would really prefer to go out of business, and our rebuff of the proposed “consolidation” frustrates their hope of a graceful and respectable exit from the stage. However, in spite of our rebuff, I am confident that they remain our dear and close professional friends, because they understand the basic issues surrounding the meaning of the F.S.A. that the proposal stirred into reawareness.

Why was the proposal *right*? Because it achieved a most necessary and timely clearing of the air. It reaffirmed a key principle that undergirds the basic fabric of the Society of Actuaries, and that must be honored and recognized in *any* “reorganization” move. It is a principle that I think we all really knew was there all along, but that many of us perhaps needed to be reminded of: *the full meaning and value of “F.S.A.” is to be faithfully and rigorously maintained.*

Studies, discussions and blueprints as to “reorganization of the profession” had gone a long way. If this proposal did not come before our Fellows at exactly the *right* time, then it was certainly *high* time! I, for one, am glad we did it, even though I was among the 47 percent.

But, my friends, we are left with another question. Just what *is* that “meaning and value”? And here some of us are still getting into trouble.

It always helps to make life seem simpler when we divide every universe under our consideration into two classes. And, oh! how we all love

to do that! Male versus Female. Smoker versus Nonsmoker. Standard versus Substandard. Term versus Permanent. White Collar versus Blue Collar. And on and on. All this is helpful, as long as we keep clearly in mind how very much we are really oversimplifying matters, almost every time we do this!

In the case of the FAA proposal, the oversimplification was the obvious one: the "yes" voters versus the "no" voters. Simple black and white. The "yes" voters are, obviously, all simpleminded activists bent upon the destruction of the Society. The "no" voters, on the other hand, are, obviously, all single-minded patriots devoted to the narrow view that the F.S.A. is an academic degree built upon rigorous educational standards, to be defended against the encroachment of any cause or goal, however meritorious in its own right.

In spite of our incurable predilection for the classification of everything into simple pairs, surely we all realize that these neatly circumscribed boxes simply do not exist. Instead, there is a continuous spectrum of viewpoints, and many reasons and shades of reasons for those 1,256 yeses and 1,424 nos. (In case the mental arithmeticians among us have quickly noted that these numbers do not add up to the total ballot count of 2,697, let me explain that seventeen of our highly educated Fellows were incapable of checking off their simple yes or no ballots without spoiling them so thoroughly that the tellers could not determine the preference intended.)

Look for a moment at the nos. Many, I am sure, indeed saw the proposal as a threat to the integrity of the F.S.A. I know, however, that some perceived the proposal as unfair to many of our own more experienced and qualified Associates. Others simply viewed it as lacking much substance or real purpose, and rejected it as lacking enough significance to justify an amendment to the Society's Constitution. Still others felt that this matter was more the business of the Academy than that of the Society.

Or look for a moment at the yeses. Some felt that reorganization of the total actuarial profession is badly needed and we have for too long gone without substantive progress: "one small step" seemed better than none at all. Others believed that we in the Society could afford to honor the professionalism of the FAA, and to welcome them to a home within the Society as an acceptable means of dissolution of the FAA, without any real impairment to the integrity of the F.S.A. Others believed that the respective natures and purposes of the Society, the Academy, and the FAA are such that any consolidation of the FAA into another body is much more logically accomplished with the Society, rather than the

Academy. "Consolidation" into the Academy seemed to have little real significance.

I do not mean to belabor the many reasons and shades of reasons behind both the yes and no votes. It is, however, important that we not misinterpret the meaning of this vote, because that meaning is itself *highly* important. Misinterpretation is developing, and in my opinion this is one of those basic matters where we surely must "substitute demonstrations for impressions."

To make at least a beginning on this, I have, since the consolidation proposal vote was tallied, been collecting an "opinion survey" sampling from actuarial clubs. This, again, is surely oversimplified and I can hardly claim it to be scientifically designed. I have done it in some haste, in order to give you some sort of report as to the apparent answers that are emerging. A sampling of 200 responses has been collected out of four clubs: the Denver Club, the St. Louis Club, the Tri-State Club, and the New York Club. The respondents include student and Associate members of these clubs, as well as Fellows. Thus the sampling is not limited to Fellows, as might have been desirable, but at least it has the merit of including a number who will be among our Fellows in just a few more years.

On the basic survey question, asking which of three choices comes closest to your view of the *proper* meaning of the F.S.A.:

26 percent answered that it is primarily like an academic degree, signifying educational achievement.

16 percent answered that it primarily signifies full membership in a professional society.

58 percent answered that it is about *equally both*: neither should be emphasized at the expense of the other. Both *together* make up the value of the F.S.A.

I am, frankly, reassured to learn that a solid 58 percent majority of this sample appear to recognize this *latter* meaning. The F.S.A. is about *equally both*.

If you fail to see much significance in all this, let me remind you that our own Board, three years ago—and I was a member of that Board—approved for exposure purposes only (thank God!) a blueprint that foresaw this Society as evolving into a kind of *nonmember* actuarial college: the F.S.A. to become a pure academic degree, not even denoting actual membership in a professional society!

Suppose that a serious proposal based on *that* principle had been submitted to our Fellows for a vote. I feel confident—and reassured—that it would have been consigned to utter oblivion by a no vote, quite possibly in excess of 80 percent!

Let's give our Fellows full credit. No restructuring proposal that appears to weaken the value inherent in *either* the educational aspect *or* the professional membership aspect of the F.S.A. has any chance.

But, my friends, this leaves us with a further problem. A large minority among us remain persuaded, and I remain unashamedly one of them, that we *dare not* be content with where we are. The state of our profession in the United States, my friends, remains precarious.

We *lack* the accredited, recognized public status enjoyed by nearly every major profession.

We *lack* respect and recognition on the part of the broad public. That is not helped at all by the fact that most of the public still hardly know who we are, or whether our unique expertise really makes one whit of difference to their futures. Many of them think the cynical master that we all serve is an avaricious insurance industry, and that we ourselves are, if anything, actually pernicious to their futures and to their best welfare. You and I know that this is seldom true, but I suspect that much of the public believe it is *usually* true. Our profession is small, publicly weak, vulnerable. Our future as a profession may well hinge on correcting these public misperceptions.

The critical problem your Board still has on its table is that we desperately need to address these issues that threaten to overwhelm us, yet we lack *consensus*. I am afraid that we face serious difficulty in mustering sufficient consensus to move confidently in any purposeful direction at all, at the present time.

Consider the next obvious question that arises: Just what do our "concerned" members, such as the one you are listening to, believe the Society should do about these problems? In fact, many will ask, quite fairly: Why should the Society do anything at all? Do not these problems of public recognition and accreditation quite specifically fall within the arenas of the Academy and of the Canadian Institute? Are they the business of the Society?

Yes! They are emphatically the business of the Society, and the Society must remain deeply involved in these issues. In the first place, there are serious challenges affecting the professional interests of our own Fellows and Associates, for which we ourselves must maintain primary responsibility. We must recognize and honor that majority opinion I spoke of, that *professional membership* is part of the essential meaning of the F.S.A., and that it is therefore *we*, ourselves, my dear friends, who must defend and nurture and expand the professional significance of the F.S.A.—in the public arena. We betray our own Fellows if we do not. *Of course* that is our business!

In the second place, any kind of meaningful restructuring, merger, or other coordination of the actuarial profession as a whole in the United States obviously must involve the Society of Actuaries, unless we are prepared simply to fade away into the twilight as a shriveling, inward-looking group that steadily grows more insignificant and irrelevant in the total public scheme of things. Surely not many of us want that!

But as I have said, we *lack consensus*. For the moment, that may not be all that bad. I am sure some feel that that would at least prevent the Society from doing something foolish. Let me emphasize again, however, that mere inaction will not serve the best interests of this Society or its members. Many of us feel frustration and impatience and confusion. Better consensus and a clearer perception of our purpose and direction must be achieved.

So what, then, is really the matter? I said this was a *family* talk. All of us have heard of examples of closely knit, highly loyal families in which every member can be counted on to come to the aid and support of any other member in trouble.

I hope we really have that closely knit loyalty, but I think it is latent, gone to sleep, if you will. Or perhaps awake, but confused.

Let me draw your attention to one more oversimplified two-way classification: the "insurance company" versus "consulting" employment division into which the vast majority of our membership falls. People keep telling me that large numbers of our "company" members are complacent: just plain indifferent to these "public" problems and threats that we face, which are so keenly perceived by many of us who are closer to the public front line. I am told that many of you in the "companies" simply feel quite secure and unthreatened.

If we are a family, and I believe we are, can any of us really afford to ignore the difficulties of others of us, in another "branch" of the family? Are *any* of us really secure if we do not, all together, come to the aid of any part of our family, in order to ensure effective support of *all* the members of the family? Even pure self-interest dictates this.

Let me ask some blunt questions. Not rhetorical ones, either. Blunt questions that I hope everyone in the Society will think about carefully; especially that our young F.S.A.'s, say under age 40, will think about carefully:

How many of you *care* whether we actuaries who comprise the Society ever become established in the public arena, as accredited, recognized, respected professionals, our skills perceived as essential to the public welfare?

Let me get more blunt and specific:

How many of you *care* whether F.S.A. retains solid professional meaning and *financial* value as to employment *outside* of life companies?

Is it important to *you* that the F.S.A., in the future, ought to retain its marketability and financial value, just in case you should ever go into consulting employment some time in the future? Remember that circumstances change, and the future holds many unknowns.

To provide more food for thought, consider some figures out of our membership statistics, considering only that portion of our members, the great majority (about 86 percent), actively employed in either the "company" or "consulting" category. (For purposes of oversimplification and to honor the principle of looking at everything in two-way classifications, I have excluded actuaries who are retired, in government, academic employment, or "other.")

"COMPANY" VERSUS "CONSULTING"

	As of July 1, 1964	As of July 1, 1977	As of July 1, 1979
Fellows.	84% vs. 16%	70% vs. 30%	67% vs. 33%
Associates.	81% vs. 19%	66% vs. 34%	61% vs. 39%

I am also told by our forecasters that the supply of actuaries is gaining ground on the demand.

In view of these statistics and the evident trend they reveal, how do you think you should answer the questions I have asked? Let me suggest three principles:

To remain *unconcerned* is to be unprofessional.

To remain *unconcerned* is to betray the family.

To remain *unconcerned* is to betray your own economic self-interest, and to thrust your own future into jeopardy.

There is yet another oversimplified two-way division of the Society: Canadian members versus United States members. I suspect that our Canadian members by this time must be persuaded that I have forgotten all about them. By no means. You too are a most vital branch of this family. We in the United States desperately need your aid and support when our branch of the family, or part of it, is in trouble. And I am confident that, if in the future the Canadian branch of this family should

ever find itself in difficulty, you would want to feel confident that you can rely on your United States brethren for aid and support as well.

We all must maintain purposeful and optimistic dialogue with one another. We all must listen respectfully to the views of others among us who disagree. We must not give up the patient quest for consensus as to the role of this Society and where it should be headed.

As a professional society that is much more than just a "college," we must attend vigorously to the needs of *all* the members of our family. If we *do* that faithfully, in the end we need not worry, because the demonstrated high quality of performance of Society professionals will prove our worth to the several "publics" we serve.

On the other hand, if we fail as Society professionals to deliver a quality of performance superior to that of others lacking the educational excellence that has always been our hallmark, we will fail ultimately to have convinced the public that *we* were the ones who had the most to offer.