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**NONTRADITIONAL ACTUARIAL
SERVICES REVISITED**

Judge: ROBERT D. SHAPIRO
Prosecutor: KENNETH T. CLARK
Defendant: FREDERICK W. KILBOURNE

Should the perimeter of the actuarial field be lengthened? Should new crops be planted and nourished within the existing tillage? Should the profession be involved in all this husbandry? These questions will be thrashed in this session, which will include:

- A debate -- resolved: actuaries should stick to their knitting
- A trial -- the charge: nilpractice in failing to meet societal needs
- A resolution -- in the form of an unusual sentence to be announced

THE DEBATE

MR. ROBERT D. SHAPIRO: The subject of our debate today is: "Resolved; that actuaries should stick to their knitting." Mr. Ernest Projector will open for the affirmative.

MR. FREDERICK W. KILBOURNE: Yes, we actuaries should stick to our knitting, and I'm glad we're having this debate to prove it. Furthermore, you'll not hear from me about my honorable adversary or worthy opponent. Mr. Filmore Needs is neither honorable nor worthy. He may not be the personification of evil, he may not be the lowest of lowlifes, he may not be scum, but that is nothing to be proud of. He certainly is dishonorable and unworthy in his unremitting and unwarranted attacks on our profession. If he doesn't want to be an actuary anymore, he's free to leave us, but why does he insist that we join him in abandoning our chosen field? For it is abandonment that he preaches in spite of pious pronouncements that he merely wants to broaden our horizons.

Remember as we listen to his words that his horizon is the end of the world. Remember as well to ask him the four questions he doesn't want to hear and cannot answer: What, Mr. Needs; who, Mr. Needs; why, Mr. Needs; and when, Mr. Needs? What, Mr. Needs, what are these nontraditional actuarial services you would have us peddle to a disinterested public? Are they truly nontraditional or are they really better described as nonactuarial? You and I both know what real actuarial services are. To oversimplify, they comprise the design and evaluation of financial security plans. Yes, this generally involves pricing and reserving for employee benefit plans and the insurance industry. It's what you and I have been doing these past few decades. No, it's not glamorous, it doesn't sound exciting, it doesn't draw a crowd at those innumerable cocktail parties you attend. Is this the real problem, your image? Do we find here the underlying cause of your attack on tradition? You may succeed in this attack as others have before you, always, of course, in the name of progress. Traditional family values have been eroded and undermined by you so-called progressives to the point of extermination, leaving us with broken homes, battered wives, and runaway children. Traditional morality has followed a parallel path as stealing has become ripping off, assault has become mugging, and cheating has become insider trading. The activist court has promised a better life than the imperfect one we had under the traditional Constitution, but has failed to deliver it. I'd rather not turn over

GENERAL SESSION

traditional actuarial services to you nontraditionalists if you please, and I plead the public interest to make my case.

Who, Mr. Needs, who will do what we do now when we no longer do it? Public and private users of existing traditional actuarial services need us and call on us and pay us for our work. If we divert or even dilute our energies as you propose, who will do the real, needed actuarial work? Perhaps others will rush or be sucked into the vacuum, but are they trained, are they experienced, are they competent to take over our assignments? Will the world really be a better place if the economists and accountants, the attorneys and others even worse do our work for us? And who could blame them if we abandon our field and spread our seed in theirs? Could it be that even as we speak some progressive lawyer is exhorting his fellows to embark on nontraditional legal services such as the development and expression of an opinion as to the adequacy of an insurance reserve? If on the other hand he and other professionals are too professional to act in such a nontraditional way, will our erstwhile actuarial work simply go undone? With apologies to Ambrose Bierce, man is an animal so lost in rapturous contemplation of what he ought to be as to overlook what he surely is. We are actuaries; we do actuarial work, which you are free to sneer at as traditional if you wish. But that work is needed; we are needed; we are called; and I for one intend to continue answering that call, for I have found my calling and it is traditional actuarial work.

Why, Mr. Needs, why do you insist that we answer the call that hasn't come? Where's the demand for your nontraditional actuarial services? Is there really the need for us to till new soil, to replace existing crops with our actuarial strain, to crowd the rows of our present gardens with experimental mutants? It's hard to believe that we know the needs of the banker, the manufacturer, or even the public servant better than they know their own needs. And even if we do, where's the demand? We actuaries have better things to do with our time than to force ourselves or attempt to force ourselves on those who have never heard of us, don't want to hear about us, and probably wouldn't like us if they knew us. But perhaps you feel that the need and demand can be engineered by us, that the plant can be bent to look our way, its roots persuaded to thrive in barren soil, its seed and pollen trained to attract the bird and bee.

Well, I for one, and my fellow actuaries for many, are followers rather of Gregor Mendel than of Trofim Lysenko, and choose not to join your noble experiment in social engineering. We would rather not try to force others to see the need that doesn't exist and the demand that doesn't follow. But let's assume for the sake of this debate that the need for nontraditional actuarial services does exist and that the demand will soon follow. It doesn't and it won't, but let's assume it nonetheless. Then when, Mr. Needs, would you have us prepare to meet these new needs and demands? Will you be keeping us in college a few more years to gain a broad-based business education, expanding our syllabus to cover the theory and practice of the legislative systems of Canada and the United States, and adding exams to ensure that we've grasped the nuances of the banking industry, no less than those traditional actuaries understand the insurance industry? To do less would be to send us off unarmed to conquer new lands. And who will teach us our new glorified expanded trade? Will we be expected to mingle with para-accountants, to learn at the feet of economists, and to apprentice ourselves for years to legislators and regulators? And

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

yet with all this, I've overlooked the communication skills and executive prowess that you tell us we must have in order to grow up as well as out. We can't be all things to all people, Mr. Needs, even if they are as needy as you are. We're spread too thin as it is fulfilling our chosen role as traditional actuaries. I'd hate to see our cherished profession emulate the Soviet Union and every other empire that expands and adds territory until it explodes and disintegrates into tiny warring pieces, or perhaps the red giant, the star that expands and expands until the gravity of it all causes it to implode and collapse upon itself, perhaps to disappear from sight into the black hole that it has become. Mr. Needs, we're not broke, please don't fix us.

MR. SHAPIRO: Thank you, Ernest Projector, for a surprisingly capable exposition for the affirmative. We shall now hear from the negative, Mr. Filmore Needs.

Sorry, Fil, I meant to say we shall now hear from the negative, ably represented by Mr. Filmore Needs.

MR. KENNETH T. CLARK: When I was a young man, sticking to our professional knitting meant sticking to employment in an insurance company, preferably a life insurance company, although employment in a property and casualty insurance company was acceptable for poor cousins. Those who had ventured into the then new-fangled area, pension practice, were suspicious radicals who probably would undermine the reputation for soundness and ethics that life insurance actuaries had so painstakingly built. Those who had ventured into consulting pension practice were simply beyond the pale and no good could come of them. Their selective recruiting of impressionable young life insurance actuaries away from a honorable and satisfying career in the valuation of settlement options, both with and without life contingencies, was ample proof of their depravity.

All of this left our profession with two monopolies: the monopoly of expertise in cash-value life insurance and defined-benefit pension plans, and a monopoly of and an obsession for the right side of the balance sheet. Now we actuaries are engaged in a great, uncivil war, testing whether that monopoly and that obsession can long endure.

The fact of the matter is that both cash-value life insurance and defined-benefit pension plans may soon go the way of the dinosaur, the dodo, and my honorable opponent. For us actuaries, therefore, self-preservation means professional diversification. Our traditional fields are effete and spent. We must seek new fields to conquer. Mr. Moderator, it has been truly said that a conservative is a person who is too cowardly to fight and too fat to run, although in the present case, I would say that . . .

MR. SHAPIRO: That's enough, that's enough. What questions do you have to ask? Do you have anything in rebuttal?

MR. KILBOURNE: Well, yes, I'd like him to answer the questions I've already asked. For one, I've said that if it ain't broke, don't fix it. How do you respond to that?

MR. CLARK: The horse and buggy never broke. Their quality remained superb until the very end. Where are they now?

GENERAL SESSION

MR. KILBOURNE: Who has the time or the energy for this newfangled and irrelevant stuff? We're spread too thin as it is doing what we do.

MR. CLARK: So was Mozart, so was Leonardo da Vinci.

MR. KILBOURNE: Even if we were convinced, even if we were right, it's impossible to sell the rest of the world. Nobody out there cares enough to hire us.

MR. CLARK: Fiddlesticks. Everyone knows that an ant can't move a rubber tree plant.

MR. KILBOURNE: You radicals are just upset about your image, not about our knitting.

MR. CLARK: You finally got it right. Our image stinks and our knitting is just fine.

MR. KILBOURNE: Why have all these nontraditional employers and clients not sought us out if their need is so great and our services so indispensable? Why aren't they beating a path to our supposedly better mousetrap?

MR. CLARK: Because we have not communicated with them.

MR. KILBOURNE: The shoemaker should stick to his last.

MR. CLARK: Spoken like a heel.

MR. KILBOURNE: You just think that the grass is greener on the other side of the fence.

MR. CLARK: If the grass is greener, we know who does what which makes it greener.

MR. KILBOURNE: Green on my side, brown on yours!

MR. SHAPIRO: I think we've reached the point of diminishing returns. It seems to me that the argument lies with the affirmative. Ernest Projector has given us a mixture of mixed metaphors and grammatical acerbity for which he is well known. But he has made a case. We actuaries are doing what we do well. That is cause for pride, not shame, and we actuaries are doing well. That is cause for satisfaction, not restlessness. Don't you think, Mr. Filmore Needs, that you're offering us a bit of pie in the sky when we are doing quite a good job on earth?

MR. CLARK: Well, we are doing all right.

MR. KILBOURNE: I don't want to dampen your boyish enthusiasm, but aren't prudence and care what we actuaries are supposed to be all about? Isn't the advice we give our clients about their business good enough for us about our careers?

MR. CLARK: Well, I guess you have a point.

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

MR. SHAPIRO: The affirmative wins. We actuaries are going to stick to our knitting.

LATER

Well, things didn't turn out as well as we had hoped. The 1980s and 1990s were a trail of disasters. Problems of the early 1980s started to shake the foundation of the insurance industry. You'll recall the actuarial debates that went on about solvency and responsibility. The disasters continued well into the 1990s, both in traditional actuarial areas and in nontraditional, private and public, actuarial areas.

Well, things got worse and worse and worse. The societal problems escalated, and no actuaries analyzed the costs of proposed solutions. Epidemics swept the land, and no actuaries contributed to their early warning system. Some proposed solutions weren't thought of or analyzed by anyone. Even some of our traditional areas got out of hand. Actuaries were trampled in some of the worst public uprisings. The century ended in collapse as the nation's leaders ran for their lives.

THE TRIAL

Order in the court. Judge Justin Case presiding. We will now hear the last case of the 20th century, the people versus Ernest Projector. The defendant is charged with 10 counts of actuarial nilpractice, thereby causing great harm to the people and especially to innocent young children. Everyone knows he's guilty, but he's entitled to a fair circus . . . trial. This court intends to see he gets justice and plenty of it. Mr. Prosecutor, are you ready to tell us where Mr. Projector fell down on his job?

MR. CLARK: I am, milord. Ernest Projector, you stand charged with actuarial nilpractice, a grave crime against your fellow citizens. Do you plead guilty or not guilty?

MR. KILBOURNE: I didn't do it.

MR. CLARK: That's just it, Mr. Projector, you didn't do it. You didn't do it even though the people needed it. Milord, may I read the indictment?

MR. SHAPIRO: You may.

MR. CLARK: Ernest Projector, you do here stand charged with 10 counts of the crime of actuarial nilpractice; to wit:

1. That you withheld your actuarial skills from institutions that foundered while you were working full time on the determination of the number of decimal points to which CSO reserve factors should be rounded;
2. That you fixed your beady eye on the liability side of the balance sheet, loved it at first sight, and cleaved only unto it, forsaking all others, notably the rotten and festering and ill-matched assets on the other side;
3. That you stood by, not helpless, but heartless, as the nation, drunk with OASDI, drove itself into bankruptcy;

GENERAL SESSION

4. That you were continuously moaning about what actuaries could have done to avoid the savings and loan and banking disasters, but were never moved to take action beyond mere mutterings;
5. That, as the years went by, you assumed higher and higher inflation rates in your prices and reserves, creating a prophecy that has now been fulfilled beyond our worst nightmares;
6. That you calculated values and massaged reams of telling data on morbidity and mortality without so much as a thought about how we might reverse the cancers that have now destroyed our citizens, our health insurance system, and our environment;
7. That you watched and groaned but never took responsibility for any of the 80 life insurance companies and 160 banks that have failed in the past 10 years;
8. That you never raised a hand to change the trillions of old dollars of government guarantees that were based on clearly untenable actuarial premises;
9. That you watched with pseudosadness, but no action, the evolution of millions of homeless, elderly citizens, and the selling into economic slavery of innocent infants, never taking on the responsibility that you had to anticipate and avoid those disasters; and
10. That you never recognized that your efforts to solve the drug problem in the early 1990s could have saved the country billions of old dollars and millions of young lives,

In short, that you fiddled while America burned.

MR. KILBOURNE: You didn't read my rights to me.

MR. CLARK: You know very well that we couldn't even get a lawyer to take your case. This trial is a formality that is only to be staged because it looks better that way.

MR. KILBOURNE: Why pick on me? I'm just one actuary out of many.

MR. CLARK: This is a class action, civil and criminal, case. All of the people against all of the actuaries represented by you, the representative actuary.

MR. KILBOURNE: Well, I didn't know what to do.

MR. CLARK: Who knew better than you? Why didn't you learn?

MR. KILBOURNE: How could I have saved something like Social Security? It's so big, and I'm so small.

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

MR. CLARK: Social Security is so big only because you actuaries have been so small while it was getting out of hand.

MR. KILBOURNE: But I was so busy doing traditional actuarial work for traditional clients, and I didn't want to step on the toes of the other professions.

MR. CLARK: So you won battles for your clients in the profession while losing the war.

MR. KILBOURNE: Well, I was afraid and I still am.

MR. CLARK: You had nothing to fear, but you do now.

MR. KILBOURNE: I'm sorry, I beg for forgiveness. I throw myself on the mercy of the court.

MR. CLARK: Milord, I ask for a verdict of guilty, and a cruel and unusual punishment.

MR. SHAPIRO: Does the accused have anything else to say?

MR. KILBOURNE: Well, I meant well.

MR. CLARK: I would remind your lordship that meaning well counts for nothing.

MR. SHAPIRO: You are right. In all my years on the bench, I've never encountered such costly guilt. Ernest Projector, I find you guilty of the capital crime of actuarial nilpractice. In accordance with the recent constitutional amendment, which permits in heinous cases the cruel and unusual punishment the prosecutor has demanded, I hereby sentence you –

MR. KILBOURNE: No, no. I don't want to write the actuarial exams all over. Please, milord!

MR. SHAPIRO: I hereby sentence you to be taken from this place and transported back 10 years, thereafter to spend the remainder of your life in public service, and if you're able, to atone for your sins by

MR. KILBOURNE: Do you mean that I shall have another chance?

MR. CLARK: I shall have another chance to debate you.

THE DEBATE (REPRISE)

MR. SHAPIRO: The subject of our debate today is "Resolved, that actuaries should stick to their knitting." Mr. Ernest Projector will open for the affirmative.

MR. KILBOURNE: Yes, we actuaries should keep on knitting, but there's so much more we should do as well. I welcome this opportunity to discuss this with my distinguished and learned opponent, Mr. Needs. May I call you Filmore? But I don't think of you as my opponent, Filmore, nor even of this as a debate. Rather I think of

GENERAL SESSION

us as colleagues in a discussion directed at charting a path to the future. And where is that future? Why, it's just over the horizon. And that horizon is not the end of the world, it's the gateway to the future, the actuaries' homeland. Filmore, my worthy friend, how can I help?

MR. SHAPIRO: Ernest Projector, for a balanced discussion of the affirmative. We shall now hear from the negative, ably represented by the unbalanced, Mr. Filmore Needs.

I'm sorry, what I meant to say was we shall now hear from the ably negative, Mr. Filmore Needs.

MR. CLARK: Humph! Ladies and gentlemen, there are two kinds of people in this world: those who divide the people of this world into two kinds and those who don't. And there are two kinds of actuaries in this world, those who want to get involved in all this newfangled stuff and those who don't. It's a personal choice. Every actuary has a right to make a choice.

I first address myself to those of you who don't want to get involved in all this newfangled stuff, which I guess includes my worthy opponent, Ernest Projector, at least provisionally. Ernest, do not confuse your person and your profession. The good news is that you personally will not become obsolete. Jobs requiring skills related to cash-value life insurance and defined-benefit pension plans will continue to exist during your working lifetime. The bad news, at least I hope you think it's bad news, is that our profession may become obsolete if it continues to concentrate its practice in those narrow areas. In my view, if we stick to those narrow areas, the risk that growth in our profession will be stifled is not a risk, it is a certainty. So that is a negative reason for not sticking to our knitting. It's negative to say, "Let's diversify away from where we are because we are no longer wanted or needed where we are." It's better to be positive and to say, "Let's diversify to where we are needed." We can and should always continue to serve our traditional clientele.

But we have seen how some actuaries have broken away from insurance and pensions, and given life to the much quoted but little implemented definition that an actuary is a person skilled in dealing with the current financial implications of future contingent events. At first, those actuaries were not wanted, but they were not unwanted either. Believe it or not, there was a time when no one thought an actuary could be useful outside of insurance and pensions. Sometimes those actuaries were not welcome; good advice is sometimes not welcome. But they persisted; they learned; and they became both wanted and welcome. But they had to do it the hard way.

My appeal to those of you who don't want to get involved personally in nontraditional actuarial practice is to support initiatives that make the hard way less hard for those who do. The crux of our debate is whether the profession should stick to the profession's knitting. Diversification to where we are needed and can be wanted will progress faster if not only individual actuaries but also the whole profession foster it. It takes more effort and resources in our professional organizations to foster diversification than to maintain a going concern. Please don't begrudge those resources even if you personally don't want to be involved in the diversification.

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

We all have a responsibility, when we go, to leave behind us a better profession than we found when we came. One advantage, it may be the only advantage, to our actuarial organizational sprawl is the ability to draw on diverse mottos. The apt motto here is that of the American Academy: When we build, let it be such work as our descendants will thank us for, and let us think as we lay stone on stone that the time will come when men will say, as they look upon the labor and the substance, "See, this our fathers did for us." But every member of every profession, not just ours, has the same responsibility to meet the needs of the people, and to leave behind a better profession. Does it not, however, especially behoove actuaries to do so. Here I draw on the motto of the Canadian Institute of Actuaries, "Nobis cura futuri," or "The care of the future is our care." But alas, I am also reminded of the saying of the late great actuary, my friend, Andy Webster, "The work of the actuary is to protect the future from the ravages of the present."

I now address myself to those of you who want to be involved in these new initiatives, including (dare I hope?) my worthy opponent, Ernest Projector. Historically, our profession has not stuck to its knitting; we have evolved from life insurance craftsmen with commutation functions to financial services experts, and still our evolution is not over. I appeal not only to your patriotism but also to your pocketbook. As for patriotism, ask not what your profession can do for you, but what our profession can do for our country. Our education and examination (E&E) experience has given us ten talents. Must we not act like our counterpart in the biblical parable? Too often we act like the one with one talent. Noblesse oblige, our profession is obliged not only to help our Fellows, but also our fellow men and women. But I appeal also to your pocketbooks, for the challenging new work will be well paid. Do you not want both to be well fed on earth and to go to heaven afterwards? Or would you rather be fed up on earth with adroit number-crunching in accordance with the standard nonforfeiture law, and afterwards spend eternity in the company of an unrepentant criminal?

MR. KILBOURNE: But I repent, I do. I have sinned, but now I am saved, I am, I am. Isn't that true, your honor, Mr. Moderator?

MR. SHAPIRO: Yes, Ernest. I believe you are.

MR. CLARK: Well, having had a chance, thanks to Ernest Projector's nilpractice, to relive my life and to rethink the pieces of our debate, I've come to the conclusion that the debate is bogus and its thesis is a nonissue. The profession and some actuaries should stick to our knitting, and the profession and some actuaries should not stick to our knitting. As Mao Tse-tung would have said, "Let two flowers bloom!"

MR. SHAPIRO: And two flowers did bloom. The next 100 years were exciting years of increasing actuarial pride and wonder. Things went better for the world when actuaries decided to reach out and help someone. Sometimes the help was in our traditional areas, and sometimes we did nontraditional actuarial work. Actuaries helped the U.S. government get on its feet, and become an attractive leveraged buyout (LBO) property. The world was not standing still through all of this, of course, although some countries took to stealing actuaries rather than growing their own. The public image of actuaries grew, and actuaries became more and more in demand. Ventures run by actuaries prospered, of course, and countries with plenty of actuarial

GENERAL SESSION

power were in the driver's seat. Good and great things happened that were very difficult to predict. Peace and freedom reigned, and the world became a wonderful place. Naturally, actuarial formulas were behind all of it. Basic research brought more and more benefits to personkind. Parents faced the future with increasing optimism. Actuaries were honored. There was even talk that the actuarial wars might be resolved, which brings us to the present, the year 2101, and our interview.

THE INTERVIEW

Welcome to the Arsenio Shapiro Show. This is the night you've been waiting for, the night you let the kids stay up, the night we beat the socks off of Johnny Carson and that old Good-Night Show. For tonight's the night you meet . . . The Actuaries!

We've had exciting guests before. We brought you the first doctor to perform a total body transplant and his patient himself, and weren't they both great? We found the last criminal and last lawyer, vestiges of the bad old days when folks didn't get along, and we rehabilitated them right on this stage. But never before have we brought you two actuaries. What's more, they're here to tell you why you should vote for them, each of them, to be president of our country. Will you welcome, please, the candidate of the Freedom Party, formerly the Conservatives, Mr. Freeman Clark. And in the other corner, the candidate of the Compassion Party, formerly the Liberals, Mr. Red Kilbourne. Let's start with you, Red. How did you get interested in the actuarial field?

MR. KILBOURNE: Ars, it was my Grandmother, April, who lit the actuarial fire in me as we say. Serve the people, she told me, and she showed me that the actuarial way was the way to do it. She was a famous actuary back in the middle of the 21st century, you'll recall.

MR. SHAPIRO: You bet your Ars. And how about you, Freeman? How did you line up with the Freedom Party?

MR. CLARK: Perfectly simple. I was wandering aimlessly, Ars, when I stumbled into their camp. This serendipitous event led to an epiphany from which I enucleated that it was freedom that led me to them. It was no mere coincidence, of course, so I devoted my life to their cause ever since.

MR. SHAPIRO: Of course. We recall the disasters that were created in the last century when we had ranchers, peanut farmers, actors, and worst of all, professional politicians as presidents. On the other hand, it's clear that your actuarial background has prepared you well to be president or is that clear to everyone?

MR. CLARK: Well, no, not everyone, Ars. There are still those, they're still there, who cling to the stereotype of the actuary as a daring risk taker, glamorous and exciting to be sure, but not suited for the sober and somewhat tedious responsibilities of the presidency.

MR. KILBOURNE: Which is precisely why my Compassion Party supports legislation to put an end to such invidious stereotyping. Our bill would permit any person or group that is stereotyped to bring a class-action lawsuit against the public for its insensitivity.

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

MR. SHAPIRO: But such problems are so rare in modern times. Given that we have such few problems, what would you change if elected president? Are there real differences between you, or are you both merely searching frantically for problems to solve?

MR. KILBOURNE: It's true that there are far fewer problems today than in the bad old days before actuaries broadened their horizons, but there are still some problems. When we're so close to Utopia, shouldn't we all pull together to push us over the top?

MR. CLARK: There you go again with that silly slogan of yours. Let's all come together to push us over the top as though you're the only ones working to make things perfect. We're all Utopians now, Compassionists and Freedomites alike. It's just that my vision of Utopia is not the same as yours.

MR. SHAPIRO: There you go again, Freeman, with that Freedomite stuff. Why do you get so uptight when everybody talks about freedomism?

MR. CLARK: Because we're opposed to isms of all sorts. It was group thinking that made the bad old days bad, it was the isms that created the schisms.

MR. KILBOURNE: Oh, come now, Freeman. Do you deny that the bad old days were bad because actuaries were locked up in insurance companies, while out on the streets, actuarial principles were being raped and trampled?

MR. CLARK: Yes, that's what happened. But it was the lists who did it in the name of their isms. They were the ones who ravaged the future so that they might control the present. When the actuaries broke out of their insurance prisons, they were able to clean up the streets, but the isms are still with us festering in our hearts, rather like heartworm, but capable of doing much more damage.

MR. SHAPIRO: Heartworm? I thought group thinking was caused by a virus.

MR. KILBOURNE: It is, and it was actuarial research that led to the realization and eventually, with some help from the medical profession, to the discovery of the specific virus that transmits the disease of group thinking. The problem was that it doesn't enter the body at one end or the other of the alimentary canal as do most deadly viruses. Rather it enters via the ear or eye carried by the spoken or written word. It took actuaries and doctors pulling together to find the little bugger.

MR. CLARK: It amazes me that you don't recognize your compassionism as a disease, a contagious disorder of the mind, picked up no doubt at your ritualistic readings about the isms of the second millennium you thought before.

MR. KILBOURNE: Don't you dare accuse me of not being a patriot. I deplore liberalism and conservatism and all of the other isms as does every good Can-American. Just because I asked even you, in the exercise of your free will, to join us in making this wonderful world perfect doesn't mean that I'm some kind of Typhoid Mary; that I'm an ist. Just because you got your freedomism from your mother doesn't mean that you caught it from her

GENERAL SESSION

MR. CLARK: You leave my mother out of this. At least my mother knew the time value of money. At least my mother never stooped to using guesstimate in her actuarial

MR. SHAPIRO: Guys, guys, guys, there's no place in this show for obscenities.

MR. KILBOURNE: I'm getting more than a little fed up, Freeman, with your gutter political innuendo trying to depict me as some enemy of freedom. I could respond in kind you know, I could claim that your attacks on groups means that you're opposed to the Actuarial Commandments Board (ACB), or even to its interpretations of the holy commandments set forth by our founding fathers on the Actuarial Standards Board (ASB). Why, for all I know, when the inner circle of your freedomist, excuse me, freedomite party gets together, you may tell ASB or ACB jokes, sniggering crassly in the exercise of what you call freedom but what I call blasphemy. Perhaps in your depravity, you even whisper among yourselves that those nine wonderful men and women on the ACB show signs of group thinking or mental disease.

MR. SHAPIRO: Listen, guys, nobody on this show is an enemy of freedom. The question is, what do each of you support? What about you, Freeman? Are you a friend of compassion?

MR. CLARK: Yes, Ars, I am, but I'm a friend of true compassion that comes from the heart of the individual, and not pseudocompassion that is squeezed out of the group like the bitter wine extracted from a bunch of grapes when they are trampled upon by the bare feet of the so-called compassionist party.

MR. KILBOURNE: Clever, Freeman, but basically a lie. We compassionists don't put the grapes in the vat, they choose to get in on their own. They vote themselves and us into the vat. And we're not some gang of trampling feet, we're just grapes ourselves. But this ridiculous grape analogy is yours, not mine. I prefer the laser analogy, independent beams of light, all colors of the rainbow choosing to pull together in order to focus on something such as pushing us over the top. You must admit that my laser beam is more brilliant than your scattered light. And perhaps your vision would be better if your cataract surgery hadn't been done with an incandescent bulb.

MS. DAPHNE D. BARTLETT: I'm sorry, I'm sorry. I have to bring this skit to a close. Our legal counsel tells me we just reached the limit of our insurance coverage. All three panelists will be prosecuted to the fullest extent of the law. But while we're awaiting their trial, I hereby impose swift justice on all three of them, either truly cruel and most unusual punishment, they are to reassume their real identity, Bob Shapiro, Ken Clark and Fred Kilbourne and are now to act like a real panel and answer questions from the audience.

FROM THE FLOOR: Could the panelists summarize the three major points that they were trying to make by the characters that the panelists portrayed?

MR. KILBOURNE: Well, I guess since I started that first debate, my point was to not lose track of the fact that we are actuaries, we do actuarial work. Of course, I realize that Ken is going to say that's what he's talking about having us do, but I think those

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

four questions that I asked came rather naturally and I think they all have validity. It's very easy for us to say that we should go running off doing a lot of new things, and of course, I believe that we should, and I don't think the new things are nonactuarial. I think they're an expansion of what we as actuaries are basically trained to do. But the points that I made as Ernest Projector all need to be taken account of as we go forth.

MR. CLARK: This is an issue that I'm sure we all have hesitations and doubts about, but I think we have to settle the issue by looking at what the public interest requires. It seems to me that we do have a contribution to make to the stability of our financial system, that we're not making that contribution as fully as we could, that the public interest requires that it be made, and therefore we have to go ahead.

MS. BARTLETT: Bob is the Chairperson of the Task Force on the Actuary of the Future, so I guess Bob would have quite a bit to say about this.

MR. SHAPIRO: The reason I'm here is to give these two creative guys someone to play off of! The primary message I'd like to have people thinking about is that we actuaries have tremendous skills, and more important, tremendous potentials. The public and the business are in great need of a lot of the skills and potentials that we have. Unless we all think about how we can take what we are good at (or could be good at) and plug it into the issues and opportunities that were revealed in this presentation, we will not meet our responsibilities. Individually we can choose to go whatever direction we want to go. But we should encourage and motivate society and the profession to explore these nontraditional areas that cry for actuarial help.

MR. KILBOURNE: Pull together to push us over the top.

MR. ROBIN B. LECKIE: You have had a most creative panel, but because most of us are traditional followers, I think it would be helpful if the panelists illustrated a little bit of the nontraditional practice they intend to expand into the next two or three years.

MR. CLARK: You're talking about the rest of my career! But my personal ambition is to consult to financial institutions other than insurance companies. Now we are making slow progress in that goal.

MR. KILBOURNE: I think that's realistic. There is an opportunity, and there is some movement away from just strictly insurance into the broader financial service industry. That makes a lot of sense. I think we need a broader definition of what we do so as to encompass these other fields. It was 13 years ago, Robin, that you were moderator of a panel where I came up with the idea that we actuaries don't need to be pinned down to insurance and employee benefits. But I'd have to say as someone who has probably been more of a nontraditional actuary than the average by quite a margin, that my 25-year consulting career has been actually very traditional. For an FSA to get into casualty work is slightly nontraditional, but it's still insurance actuarial consulting. I think that the vast majority of the expansion into real nontraditional, yet actuarial, areas is ahead of us, and is going to be done by people in this room.

MR. HARRY H. PANJER: One of the key functions of the Society of Actuaries is education. I'd like to ask the panelists to give us their insight into how our

GENERAL SESSION

educational process, both within the Society of Actuaries and outside the Society of Actuaries, has to evolve over the next few years to provide young people with the skills that they're going to need in a broader actuarial environment.

MR. SHAPIRO: The place to start is to define the businesses that we actuaries want to be in. I tend to think of what we do almost in a three-dimensional matrix where we have (1) the businesses that we work in, which are traditionally life insurance and pensions; (2) the functions that we work in, which are traditionally things like pricing and valuation; and (3) the perspective that we've taken, which can be narrow or broad. In traditional work, we often find narrow pricing and valuation work in insurance and pension plans.

But you can broaden on all three dimensions. I suspect we will focus somewhere beyond where we are today in all areas, but not go completely to the other end of the spectrum. We already see actuaries working for banks, hospitals and the government. We have \$6 trillion of guarantees being provided by the U.S. federal government, and there is concern that we actuaries ought to be involved more in examining these programs. We've seen more and more actuaries working in the strategy and marketing side of the business. Obviously, the investment side has provided growth for actuaries in the last five years.

I don't think anybody wants to undercut the mathematical foundation that we have. But that foundation has to shift as needs shift and our capabilities and research expand. Certainly we have to at least make actuaries aware of what their potentials are. I'm not sure the Society has to provide all the broadening capabilities, but we need to let students and young actuaries know that, if they do certain things, new horizons are possible.

MR. KILBOURNE: I think there are two areas that we need to do two things in, as Mao Tse-tung and Ken Clark would say. The basics of actuarial work, to grossly oversimplify, I think of as Q times A times V where Q is the contingency, A the cost, and V the time value of money. All actuaries should be firmly grounded in the basic technical elements of the quantity, QAV . Some may decide to go on and become very technically involved, and be on the cutting edge of how to do that analysis better. But all should be firmly grounded in the process, and not have it be as fragmented as has been traditional. I think the educational process is moving in that direction. Concerning the industries we are addressing, beyond insurance, it will be well for us to become broad-based in the things that are actuarial in nature, primarily concerning financial security systems, but of course, going beyond that. My favorite examples are politicians' and business managers' promises that ignore the long-term costs of public or private ventures. Some actuaries may choose to become firmly grounded in the basics across the board, while others might go into a particular area to become real specialists, the way most of us have in insurance, and some in the future may in other industries as well.

MR. CLARK: Now that we've assumed our real personalities, we're a united panel, and I'm going to keep it that way. I'm not going to answer Harry Panjer's question either. I've been reasonably active in the profession over my career, but I've been careful to stay out of the E&E side of things because I like doing things that are easy, and I don't like doing things that are hard. I think your question Harry is a humdinger;

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

it's going to require a balancing act like nothing we've ever done before to keep that path to Fellowship reasonably short, if I could use that word for that path, and at the same time create the kind of educated people that we need. So my answer is: I don't know.

MR. DICK LONDON: To follow up on Harry's question and give a little bit of concrete response to it, the E&E Committee has now initiated a fourth track to Fellowship that is called the investment track, the V track, that is specifically oriented to letting people get a broader exposure and education in the financial marketplace outside of traditional insurance to be credentialed along those lines. So remember the question that arose in the debate about how are we going to prepare people for these nontraditional tracks, are you going to add more on? The E&E structure's been focusing on this for several years. The new program that arose four or five years ago called the Flexible Education System (FES) was specifically designed in part to address that issue of, how can we expose new FSAs to other topics that will give them opportunities for nontraditional employment without adding more on? It becomes an alternative in part instead of an add-on.

The second point that I wanted to ask or raise was a real practical issue that is present in the profession today. That is the number of new people, young people coming out of college and entering the exam stream. For the first time in the last several years, many of our major actuarial program universities are finding they've been unable to place all of their graduates in traditional employment. The opportunities for the potential of expanding in nontraditional areas may fit very nicely in what we're going to do with the graduates. I think the profession does need to recognize the question of making an effort to create new fields. I won't try to use some of the beautiful flowery language that I heard Fred Kilbourne use, but concerning the idea of plowing new fields and having new areas, can we or should we, in fact, create these areas not only because we have the expertise to make a meaningful contribution, but also because we have an obligation to people who are going to be members of the profession to help provide employment for them? I'd certainly like to hear the panel respond to that.

MR. SHAPIRO: The mission of the Actuary of the Future Task Force this year was (1) to identify nontraditional areas of employment, (2) to develop a plan for motivating those nontraditional employers to think of and work with actuaries, and (3) to motivate and educate actuaries so that they can get into nontraditional rolls if they choose to. There has been a lot of discussion about the downsizing in our industries leading to more actuaries needing jobs. This is complicated by all of the students going through the exam system.

We purposely did not start here. We started with asking (1) what does the public need, (2) what are we good at, and (3) how do we link (1) and (2)? We came up with substantial opportunity! If we do the right things, we can get people pulled into these opportunities.

MR. LECKIE: First of all, it was a superb panel. However, I would like to just comment on an impression that may have been left that I think is not correct. That is that some of the traditional work in the insurance industry lacks focus or opportunity or meaningful involvement. I feel personally that there are huge opportunities for

GENERAL SESSION

actuaries in those old traditional life insurance companies, and that we should be proud to be part of the role that we could play in expanding the role within those companies. Our problem is that, as individual actuaries in fairly large companies, we tended to consider the niche that we were in, whether it was pricing or valuation or underwriting or even investment, as the component to which we were making a contribution without considering how it applied or impacted the rest of the organization or how the organization itself impacted society. And if we would consider not only our roles in the little niche that we may be occupying at any given point in time (and that can be a role of chief actuary as well) but also the role that our companies can play and how we can pull together some of the complex concepts of the company to make it more dynamic, solvent and progressive, then I believe that the role of the actuary in the traditional company will in fact be the nontraditional example that has been put forth.

MR. KILBOURNE: I do. I have been amazed in recent years to hear life insurance actuaries talking about this need to expand and to broadly apply actuarial skills throughout the industry, because it always seemed to me that we were already there. In particular, as a life actuary getting into the casualty work 20 years ago or so, I was appalled at the narrow, little corner that the casualty actuary occupied in companies. In fact, most companies didn't even have the actuary involved in reserving. I recall one time when there was talk at a meeting that I had attended of the Casualty Actuarial Society about doing thus and such with the exams, and someone got up and said, well, we can't do that because management wouldn't let us. You can imagine how I felt; I mean, we are management. I thought that was amazing, but that certainly has changed dramatically over on the casualty side. Has it deteriorated on the life side? Are we crossing in some way? There certainly are plenty of opportunities in the insurance industry even narrowly construed for nontraditional actuarial work to be done.

MR. SHAPIRO: There are a number of reasons why things are quite different today. One example is that 15 or 20 years ago, most of our companies were functionally organized. There was an actuarial function, and actuaries had a career path leading to the chief actuary. As we migrated to business units instead of functions, we've changed the whole nature of the career path for actuaries in an insurance company. The old career path tended to develop fairly narrow people. We've had difficulty in some companies getting actuaries who have "grown up" in pricing or valuation or experience analysis, to get out of the narrow project tunnels that they're in and look at the broader business picture. Although we have all these nontraditional opportunity areas, unless we work hard at changing both the perception and the reality that is out there, in many cases, that we're not doing as good a job as we should in our life insurance companies, then we're going to have trouble developing the nontraditional opportunities.

MR. ALISTAIR NEILL*: It's kind of you to invite me to Toronto, so I thought I better earn my keep by saying something to you. I find this fascinating, very interesting and amusing as well. What I find extraordinary from a Scottish point of view, in fact, is that you're not already very much involved in the asset side. All of us chief

* Mr. Neill, not a member of the Society, is General Manager of the Scottish Widows' Fund & Life in Edinburgh, Scotland.

NONTRADITIONAL ACTUARIAL SERVICES REVISITED

executives in the Scottish Life Office and pretty well all the investment managers are actuaries. It's not quite the same in England, but many of the chief executives and some of the people doing the investment side are actuaries. So we are working in a different scene, and we are always thinking of the asset side. Investment people are talking to the valuation people, in your terminology, every few months to make sure that we're getting the investment side right. Now one of the big differences in our actual investments is the fact that we have 80% or so of our investments in U.K. common stock. We for many years have done this, and we got interested in this quite early on. The first scientific indexes for the stock market were actually done between World War I and World War II by the Institute of Actuaries and Faculty of Actuaries jointly. Some of you may, in reading some of the financial papers, notice FDA indexes. Yet the A stands for actuary because we have the copyright, if you like; we do the scientific work of what the stocks are going to be and how the calculations are done. The *Financial Times* sole responsibility is actually to do the sums according to rules we set down for the publication. So I think you're getting into what we think is the right thing already in our own work. But apart from that, I think it's very interesting to try and sort out banks and all these other people. You have a lot of work to do.

MR. PETER S. PALMER: It seems that a missing link is in marketing. I'd like to hear your comments on how you think that the actuarial profession should better market its collective skills to that world, which is not beating a path to our doorstep.

MR. CLARK: I would say by osmosis, one little step at a time.

MR. KILBOURNE: Yes, maybe we should do more than that. The idea of a profession hiring a public relations firm may not rest easily on the mind, but perhaps we should be doing more in that regard. We already have a jointly sponsored effort, through the Academy, to bring the actuarial profession to the attention of the public.

MR. SHAPIRO: There's both a perception and a reality issue here. Some of the problems that we have will not be solved by "marketing" if, in fact, our publics have a valid reason for believing we're not doing a good job. I would make sure we deal with reality, be honest with ourselves and try to fix anything that isn't right. We shouldn't just try to make things look better than they are.

MR. KILBOURNE: It just occurred to me as you were speaking that for my 25 years in consulting, marketing has consisted primarily of waiting for the phone to ring. Someone calls, something happens. When we were all at Milliman & Robertson together, somebody would call from one of the offices; they'd have a new job; and I'd work on it. It's been overwhelmingly reactive. I shouldn't be surprised that there haven't been calls from bankers or other really nontraditional potential users of actuarial services because I get together with you two guys and talk about it and I haven't talked to them.

MS. BARTLETT: The report of Bob's committee was referred by the Board of Governors to the Planning Committee at this meeting for implementation. Part of the implementation will involve developing a way for letting these alternative potential employment areas become aware of actuaries. One example of what might be done

GENERAL SESSION

obviously would be to get actuaries on some programs at conventions such as this. I'm sure there are many other ideas that could, and I'm sure will, be implemented.

MR. WALTER N. MILLER: Early on in this panel, which is about the best I've heard in many, many years and congratulations to you all, one of the hallmarks of the traditional actuary was correctly stated as being limited to the right-hand side of the balance sheet. Individually, these days insurance company actuaries in the U.S. are getting opportunities to migrate over to that other side, and prove what they know, what they can do, and how they can help. However institutionally, our profession south of the border is still stuck on that right-hand side. We've had years of struggle in order to implement what is now called the valuation actuary concept in the U.S. Now that's going to happen, but it is strictly on the liability side and the way things look. If institutionally as a profession in the U.S. we're going to get over to that other side, we're going to have to do it by beating down the doors of the people who hire us and pay us because our employers are still dead set against it. That is a significant challenge to our profession in the U.S.

MS. BARTLETT: Can I make one suggestion, please, which is you referred to us as valuation actuaries, and wishing makes it so. You call yourself a valuation actuary, people believe you are.

MR. MILLER: That's what the law says.

MS. BARTLETT: Yes, but not in this room. We could call ourselves appointed actuaries like actuaries do all around the world, and refer to it that way and before we've expanded our scope just by changing a label. Any other comments on this?

MR. SHAPIRO: There are two dimensions to this. First we need to do all the things that our traditional employers need from us and do them as well as we can. Second, we need to look at nontraditional areas where our skills are valued (or should be valued). One of the things we need to do is to identify all of the actuaries in the Society that are doing nontraditional things. There are many actuaries who have worked with nontraditional employers. We need to spotlight them and nurture the development of papers and articles, in the journal of nontraditional business. We need to get them on programs both in the Society and at nontraditional employer association programs. I bet if we went around this room, there would be a large number of people who have had "nontraditional" experience. It hasn't been publicized.

MR. KILBOURNE: I think a very important thing is that one of the biggest lies I had to say, as Ernest Projector, was to accuse all this of being nonactuarial and nontraditional. I don't think that we or the thrust of the profession is talking at all about stopping being actuaries. I think it's a matter of identifying what the core of actuarial science and actuarial practice is, and then to find the needs that fit with that core and try to work them together.