



SOCIETY OF ACTUARIES

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RETIREMENT TO CHAOS

by J. Henry Smith

(Ed. Note: This is another in our series on actuaries in public service. In 1976, not long after his retirement from CEO of Equitable Society, J. Henry Smith accepted the post as head of the welfare and social service system of New York City. Here he comments on his nearly two years in that formidable position.)

The title of this piece is not quite fair. The new world I entered in 1976 was not really chaos—it just seemed so to the orderly mind of an actuary steeped in a well structured, stable business. Maybe “chaotic” gives a truer flavor.

My new experience began when Mayor Beame decided to bring business managers in to help cope with New York’s financial problems. He imported several, assigning me to the largest and one of the most sensitive administrative jobs. I accepted because I felt an obligation to help our stricken city, and because I thought that business management methods ought to be given a try.

The effort proved to be a learning experience and a challenge of the first order. Learning, because the political environment is utterly different from that in business; challenging, because of the city’s financial debacle and the complexity of its social programs.

The welfare and social service apparatus in an American community is amazingly complex. Here, in addition to four kinds of regular benefits to the indigent, there were 45 programs of welfare and social service administered by my department. These range from food stamps to the giant Medicaid, through day care, senior citizens’ centers, planned parenthood clinics, and telephone services to shut-ins. Each of these has its own con-

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“INDIVIDUAL LIFE INSURANCE AND ANNUITIES IN THE 1980’S”

The above will be the theme of the Society’s “Special Topic” spring meeting in Hartford on April 14-15, 1980. Responsibility for the program is in the hands of the Committee on Life Insurance and Annuities of the Society’s Continuing Education Committee.

The intent is to examine the effects of changing outside forces on product design, pricing and distribution systems. Specifically, the presentations will:

- (1) identify the general direction of individual life and annuity business;
- (2) paint a picture of what our business will look like by the end of the decade;
- (3) recognize and reflect the basic concepts of futurism, i.e., (a) understanding today’s reality, (b) studying the future effects of current decisions, and (c) identifying inter-relationships and impacts of outside influences.

Plans call for developing two or three scenarios for the decade of the 1980’s, these to be distributed in advance. The opening panel will discuss these scenarios. Then, a second panel will examine the impact of these changing outside forces on product design, pricing and distribution systems. A wrap-up session for early the second afternoon will draw together the ideas brought out at the concurrent sessions.

Concurrent Sessions and Workshops

Possible Topics for concurrent sessions are:

1. Comparisons of Today’s Marketing Distribution Systems Including Compensation.
2. Trends in Pricing Methodology.
3. Effect of Governmental Actions on

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THE ACTUARY REVEALED

by George R. Dinney

Ed. Note: This is part of the author’s recent address at a meeting of the Actuaries Club of Winnipeg. His remarks were directed specially to actuarial students who were invited guests.

Each of us has different credentials and different attributes. What can we say about the actuary in general?

The word “actuary” derives from the Latin word “actuarius”, which means a scribe or recording secretary. Few of us, today, would see ourselves in the mirror of that definition.

The Society of Actuaries avoids definition, choosing to make an oblique reference to the work of the actuary in the words of John Ruskin — “The work of science is to substitute facts for appearances and demonstrations for impressions.”

In effect this suggests that the actuary has something of a detective role. Whereas I would agree that the actuary can be regarded as a special kind of detective, I would challenge both the meaning and the meaningfulness of the Society’s motto on two grounds.

The first is that, whatever the work of science may be, the work of the actuary rests heavily upon judgment. As one grows longer in the tooth, we become more and more sure of our impressions and less and less sure of our facts. And so, I wonder whether the Society’s emphasis on facts and demonstrations does not misrepresent the actuary’s true vocation.

The second reason for my challenge, and I would suggest to you that this is a very serious challenge indeed, is that the Society’s motto is misleading! It is misleading because it is taken out

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Actuarial Meetings

- May 10, Baltimore Actuaries Club
- May 15, Chicago Actuarial Club
- May 16, Seattle Actuarial Club
- May 17, Actuarial Club of Indianapolis
- May 23, Kansas City Actuaries Club
- June 14, Southeastern Actuaries Club
- June 14, Baltimore Actuaries Club
- June 21, Chicago Actuarial Club

The Actuary Revealed

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In our lives and our careers, we are faced with many different assignments. Some of these assignments are "doing" jobs—others are "thinking" jobs. When we consider that insurance in all of its forms is an idea or an unfulfilled promise, how can we fail to conclude that ideas—and thinking—have to be the most important ingredients in our work?

If we believe that an actuary's stock-in-trade is ideas, then whatever the factual content of our work, its essential ingredient is our professional *opinion*. Although there is inevitably some personal cost in adhering to this dictum, nevertheless it is an offence to yourself, as well as to your profession, to withhold an opinion which you are professionally competent and responsible to deliver. So, the actuary's work is a perpetual dilemma. Throughout your career, you will have the serious job of communicating, fairly and honestly, your views on the confusing mixture of facts, demonstrations, appearances and impressions with which you are confronted.

Our profession is a worthy and honorable one and it is surely within our power to make it a warm and enriching one. I know that many of us have had outstanding experiences that might best be described as "golden moments" which were moments of rare humor or outstanding accomplishments, or seeming catastrophes that turned out only to be business pratfalls, all of which tended to make our work more human in its dimensions. I hope some of the actuaries present will share their "golden moments" with you during our discussion, and therefore reveal the work of the actuary in a clearer and more immediate way than these remarks have done.

"... in the 1980's"

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- Product Design and Pricing Future.
- 4. Life Expectancy of the Traditional Life Insurance Distribution Systems.
- 5. Product Design—The Future of Annuities and Permanent Life Insurance.
- 6. Risk Classification—Present and Future.
- 7. Nonforfeiture and Valuation Regulation—Concerns for the 1980's.
- 8. Product Innovation—Response to Consumer Needs in the 1980's.
- 9. Profit Squeeze and Distribution of Surplus—Mutual Companies.
- 10. Profit Squeeze and Distribution of Surplus—Stock Companies.
- 11. Successful Insurance Agencies of the Future.

In addition to follow-up workshops for selected concurrent sessions, other workshops being considered are:

- 1. Trends in Agent Training and Compensation Systems.
- 2. Competition in the 1980's with other Financial Institutions/Government/Employer.
- 3. Emerging Products—Group vs. Individual.
- 4. Emerging Pricing Problems.
- 5. Tax Planning for the 1980's.
- 6. Trends in Compensation to General Agents and Agency Managers.
- 7. Adjustability—Products and Operations.
- 8. Surplus Levels for the 1980's.
- 9. Ways to Reduce the Cost of Distributing Individual Life Insurance and Annuities.
- 10. Future of Equity Based Products.
- 11. Reinsurance for the 1980's.

If you would like to prepare a paper for this meeting, the following check list is suggested:

- 1. Follow the procedure for submitting papers in the Year Book.
- 2. Send an outline of your proposed paper to the Executive Director by June 1, 1979.
- 3. Submit your completed paper no later than July 15, 1979 to permit adequate time for review, editing,

LETTERS: Proposed Merger

Sir:

The gist of the Reorganization Committee's rationale is that the members of the Fraternal Actuarial Association are generally quite well qualified and besides, only a relative handful are not already FSA's or ASA's. Therefore, since the FAA has a limited life expectancy, its merger with the SOA should be approved by our membership.

There is merit in this merger recommendation, yet the argument raised in the letter excerpt No. 8 should not be taken lightly. A considerable number of ASA's are at least as well-qualified as the FFAA's now being proposed for FSA* status, so that the recommended merger creates sizable inequities.

I would like to suggest for consideration a different change in the SOA's Constitution which, I believe, eliminates the inequities for this FAA merger and other possible future mergers. This proposed constitutional amendment would grant FSA* status after completion of at least 15 continuous years as an ASA, while in a responsible actuarial position. It would also provide for the recognition of a class of membership in another professional actuarial organization as being equivalent to ASA membership. A task force would be appointed to investigate any applying professional organization and the recommendations of this task force would then be submitted to the SOA membership for approval.

This approach, if adopted, would allow most, if not all, FFAA's to become FSA*'s since those in question have at least 12 years of equivalent service. Similar equivalency rules could be developed for the status of ASA*. Of course, any FSA* or ASA* has the opportunity of removing the asterisk by the successful completion of the appropriate examinations.

Harry D. Morgan

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printing and distribution prior to the meeting.

Your comments on the content and format of this proposed program are requested, as are your suggestions for panelists and other participants. Send them to:

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