

### Article from:

### The Actuary

December 1980 – Volume 14, No. 10



# The Actual The Newsletter of the Society of Actuaries

VOLUME 14, No. 10

DECEMBER, 1980

### **ACTUARIAL LIVERYMEN**

by Geoffrey Heywood, F.I.A., F.F.A.

The Livery Companies of the City of London date back to the 14th Century and have their origins in the ancient craft guilds. Their original purpose was to ensure that anybody becoming a Liveryman was fully qualified to carry out his trade or craft. These days the link between liverymen and their occupation has become tenuous; their functions have become largely social, although they enjoy electoral power and have charitable responsibility as an essential requirement

Some eighteen months ago, it occurred to a few actuaries that it would be a good idea to form a Worshipful Company of Actuaries, i.e., a Livery Company for this profession in London. A petition by these actuaries to the Lord Mayor and Court of Aldermen was approved on 18th September 1979, bringing into being the Worshipful Company of Actuaries as the 91st Livery Company of the City of London.

The oldest such Company, No. 1, is the Merceis Company (1393), and the order of seniority is jealously guarded. There were no new Companies from 1709, when No. 76 was set up, until 1932, since when, particularly during the last twenty years, there has been a resurgence of interest. Already there is one junior to us, by a hairsbreadth, the Worshipful Company of Insurers, No. 92.

On 30th January 1980, at a most impressive ceremony in Mansion House, all of us being fully robed, the Lord Mayor presented to the Master our Letters Patent. This was followed by a luncheon there for the Lord Mayor, the Court of Aldermen and the Members of the new Livery Company.

To All Our Readers,
A Happy New Year!

The Editors

### SOCIETY FELLOW ADDRESSES ACTUARIAL SOCIETY OF INDIA

Rajendra P. Sharma (F.S.A. 1979) of Philadelphia had the opportunity in July 1980 to address the Actuarial Society of India in Bombay. As his topic he selected *The History of Private Pension Plans in the United States of America*, and gave his audience of about 150 actuaries and other insurance executives the following reason for this choice:

"I selected the topic primarily for the reason that I see a lot of similarities between the initial stages of pension plans in the U.S. and the existing gratuity and providentfund schemes of retirement income security in India. Examining the path of development towards the current system in the U.S. may be a useful indication of what future course the retirement income security system in India may take."

The speaker described the growth pattern of U.S.A. private pensions, and the successive economic and societal influences that determined that pattern. He gave also a succinct analysis of theories that have been advanced to account for pension development — the gratuity theory, the human depreciation theory, the deferred wage theory—and then expressed this view:

"However persuasive some of these theories are, it is doubtful that the private pension expansion can be explained in any one social, political, economic or philosophic concept. The only real explanation

# SUMMARY OF NON-ROUTINE BUSINESS BY BOARD AND EXECUTIVE COMMITTEE, FOUR MONTHS TO OCTOBER 31st

by Myles M. Gray, Secretary

At meetings of the Executive Committee on September 18th, and the Board of Governors on October 18-19, the following non-routine business was transacted:

(1) Education and Examinations. The Executive Committee and the Board discussed a proposal for joint sponsorship and administration of examination Parts 1 and 2 with the American Society of Pension Actuaries and concluded that this was not an appropriate time to pursue the matter.

A liaison representative has been appointed from the Society to the Mexican Actuarial Association to explore possible further cooperative educational efforts.

- (2) Sections Within the Society. The Board approved institution of Sections and reviewed proposed by-laws and operating rules and procedures.
- (3) Society Operations. The Board adopted the budget for fiscal year 1980-81. It includes increases in seminar fees (\$20 for one-day and \$35 for two-day seminars), and a \$20 increase in registration fee for Spring Meetings.

The Executive Committee removed the maximum limit on reimbursement of reasonable expenses for the President and President-Elect.

- (4) Public Relations. The Board received the report of the Council of Presidents' Task Force on Public Relations and authorized the President to appoint two Society representatives to a new Joint Committee on Public Relations.
- (5) Professional Conduct. The Board received two proposed Opinions on professional conduct: a revised Opinion

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Published monthly (except July and August) by the SOCIETY OF ACTUARIES, 208 S. LaSalle St., Chicago, Illinois, 60604, Robin B. Leckie, President, Kenneth T. Clark, Secretary, Robert I. Johansen, Treasurer, Robert E. Hunstad, Director of Publications. Non-member subscriptions: students, \$450; others, \$550.

The Society is not responsible for statements made or opinions expressed herein. All contributions are subject to editing.

### EDITORIAL

#### HANDICAPS OF EXPERTISE

A Guest Editorial by Roy R. Anderson

Ed. Note: This is excerpted, with permission, from Mr. Anderson's speech, "Strategic Planning for Corporate Growth," to the Chemical Marketing Research Assn. The full text can be had from him at his Year Book address.

EXPERTS, even in the highest callings—such as physicians and lawyers—can become so immersed in their work that they cannot see how their profession relates to and affects society.

Experts within our own business of insurance can suffer from this myopia. They fail to place in perspective the role that some forms of insurance now play in our society. Take, for example, health insurance. Health insurance—both private and governmental forms-has practically nothing to do with health. Further, it is much less a system of "insurance" than it is a system for financing the costs of the system of medicine. In fact, the system of health insurance is one of the major factors that has contributed to the spiralling costs of medical care.

Essentially the same kind of analysis applies to the symbiotic effect between liability insurance and the system of tort law. It has been the very existence of liability insurance that has induced the legal profession to expand the scope of the tort system far beyond its original bounds-at ever-increasing costs to the public. Unfortunately, attempts to arrest this burgeoning system of tort liability are largely ineffectual because the legal profession effectively controls the process-such as in the legislatures and in the operation of the judicial system. Our country, formed as a nation under law, seems destined to become, instead, a nation under lawyers.

It is very difficult for people, even experts, to see evidence of change-especially when it is their own institution that is threatened. The trouble is that the expert's values are so deeply imbedded in his own system and in the past that he continues to see only what he expects to see and wants to see. Yet, if we are to prepare ourselves for future shocks, we must be willing to entertain new thoughts-however threatening they may seem.

Furthermore, the longer it takes each of us to perceive the evidence of change,

the greater is likely to be the shock when we must face reality.

One of the dominant institutions of our society has been economics, i.e., the perception that man is basically an economic animal whose behaviour can be controlled and predicted by economic analysis. The first problem with economics stems from what has happened to our perceptions of money. What was invented as a medium of exchange has become an end in itself: insidiously, the understanding has emerged that the value of all things-material and non-material-can be expressed in dollars. Also, there was Adam Smith's concept, "the invisible hand," that the summation of many decisions based on self-interest would inure to the total good for the public, a theory no longer valid from which economists are now frantically trying to adjust to a new reality.

We all drag along with us all of our past. But we can, and we must, accept the realities of today and tomorrow, and learn from other disciplines, even from other cultures.

#### Deaths

Marcus F. Auden, A.S.A. 1927 Thomas T. Chamberlain, A.S.A. 1951 Stanley W. Gingery, F.S.A. 1943 John P. Jones, A.S.A. 1961 Robert N. Powell, F.S.A. 1959

Contributions to the Actuarial Education & Research Fund, 208 S. LaSalle St., Chicago 60604, in memory of a deceased member are acknowledged to the donor and to the member's family.

### **Summary Non-Routine Business**

(Continued from page 1)

- S-3, "Professional Communications of Actuaries," and a new Opinion S-7, "Sound Actuarial Principles." After discussion, the matter was tabled.
- (6) Standard Notation. The Board authorized the Committee on Standard Notation and Nomenclature to develop standard notation for risk theory.
- (7) Committee on Pensions. The Board was presented with a report from the Committee on Pensions titled "Integration of Private Pension Plans with Social Security." In view of its timeliness, the members agreed to study the report and furnish the Executive Committee with their comments. The Board authorized the Executive Committee, at its discretion after reviewing their comments, to grant to the Committee on Pensions authority to release the report as an Opinion of that Committee.
- (8) Valuation Mortality Tables. The Executive Committee and the Board discussed proposed selection factors to be applied to the new valuation Mortality Table K. The Board accepted the Committee's work in developing these factors, and authorized exposure to the membership and transmittal to the National Association of Insurance Commissioners.
- (9) Meeting Sites. The Board approved changing location of the 1983 Annual Meeting from the Sheraton Bal Harbour to the Diplomat Hotel in Hollywood, Florida, and approved the following sites for 1986:

April 17-18, Hotel Del Coronado, San Diego

May 22-23, Sheraton Boston Hotel June 12-13, Kansas City

October 6-8, Hyatt Regency Chicago