



SOCIETY OF ACTUARIES

Article from:

# The Actuary

July/August 1989 – Volume 23, No. 7

*Change cont'd*

of the United States will come in 1992, he said. "Europe, in 1992, will be a common market, which will offer great opportunities for enterprising life companies. Even more will surface in Pacific Asia, where full industrial development is terrific and where insurance services are very elementary."

The results will be a "harmonization" of some regulations. That already has happened with bank capital ratios, GAAP accounting and the European Common Market rationalizing regulations, he said. In addition, he said actuaries will be exposed to new ideas and new products by American companies doing international business and foreign companies coming into the United States.

Bowles asked, "How can the right kind of actuary be produced to fill the needs caused by these challenges?"

"I would emphasize that he (the actuary) does need to be more of a businessman than a mathematician," Jackson said. "He has to show a willingness to change, because the world is going to change. That means continuing education, not only in his existing discipline, but looking toward the new areas that remain to be explored."

Panel member John J. Byrne, Chairman of the Fireman's Fund Corporation, said that the key in the casualty/property insurance business is for actuaries to be more balance-sheet oriented.

He said the casualty/property business experiences "terrible cycles." "We ruin America's faith in us, we ruin our agency relationships, even CEOs get fired." Those cycles can be blamed largely on misstated balance sheets, Byrne said.

In 1981 and 1982, he said casualty/property companies were telling the world they had about \$50 to \$55 billion of policyholder surplus standing beneath their casualty/property liabilities. Actually, Byrne said, the companies had only \$10 billion in surplus, and that was because their balance sheets weren't stated properly. "Where were the actuaries who signed those statements?" he asked.

"I like an actuary who says, 'This is your balance sheet,' and five years later you can say, 'Yeah, he (the actuary) called it pretty close,'" Byrne said. "More actuaries need to make those calls."

Bowles also asked Byrne how he views the difference between life and property/casualty actuaries.

Property/casualty actuaries tend to work in less well-structured programs than life actuaries, Byrne said. In addition, property/casualty actuaries become more involved earlier in their careers in the "real business" of marketing, distribution and design.

Another question discussed by the panel was whether the collective body of actuaries in North America should reexamine their whole process of seeking credentials and licensing.

Winters said in terms of official recognition that U. S. actuaries have sought domains of exclusivity before and since 1965. In 1965, he said, U.S. actuaries tried to obtain a congressional charter similar to the Canadians' federal charter, but that attempt failed.

In general, actuaries have been unsuccessful in gaining official recognition, Winters said. "In part, we've run up against a kind of American elitism. Those who would claim for themselves a domain-exclusive operation have to be able to define the domain. What are the activities you're talking about, and what is the public interest which is served by limiting access to that behavior? We've succeeded substantially in connection with signing off on the statutory statements of life companies and foreign casualty companies. We have succeeded to some degree, but not to the degree that many have hoped, in connection with the responsibilities of an enrolled actuary. [Professional recognition] is limited to enrolled actuaries, but the definition of enrolled actuaries was not at all what the established profession had hoped it would be."

Bowles asked how the difference in U.S. and Canadian environments will affect actuaries' professional response.

Jackson said he is concerned with the American problem of all the different jurisdictions. The rules in Canada are general and place a great deal of responsibility on the individual actuary and on his profession. "I wonder if the detailed regulations in the United States might become more general if we had a better recognized profession in the United States," he said. "And I think that is very much in the public interest, because in times of rapid change, detailed regulations don't change as fast as the world is changing."

## Centennial innovations may change future meetings

by Diana Montgomery

"The Centennial Celebration brought the dawn of a new era in the way actuarial meetings are handled," said Thomas P. Bowles, head of the meeting's steering committee. "It set a new standard for meetings to come."

Bowles's enthusiasm was fueled by the overwhelmingly positive audience reaction to several innovations at the Washington, D.C., celebration. He said, "Everyone seemed to appreciate the video enhancement used in the general sessions. With a live-action video image of the speakers on a giant screen, everyone had a front-row seat." Bowles, interviewed after the Centennial meeting, said organizers are exploring use of video enhancement at upcoming Society annual meetings.

Compliments also were heard on the animated, 12-projector audio/visual show chronicling the history of the profession. "We wanted to give actuaries a sense of their history and pride in it. Our goal was to make it emotional and inspirational — and to give everyone goosebumps."



Guests enjoy the large buffet offered during the Monday evening reception.

Centennial celebration social events also were more ambitious than usual. A Monday evening reception offered attendees a chance to mingle for two hours while sampling a large assortment of hors d'oeuvres. They listened to a band play music from the 1920s to the 1980s chronologically as slides from the appropriate eras

Continued on page 12 column 1

### *Innovations cont'd*

flashed up on the three screens at the back of the ballroom.

"The atmosphere was festive," said Bowles. "That kind of atmosphere makes people more relaxed, friendly and communicative." Bowles said new heights of elegance were reached with Tuesday night's black-tie dinner featuring the Canadian Brass. "If registration fees can support events like that, we might want to offer them," he said. "The dinner brought some new life to the meeting."



*Kenneth T. Clark, who delivered the meeting's closing remarks, presents Thomas P. Bowles, Jr., with an engraved silver platter in appreciation for his hard work as head of the Centennial Steering Committee.*

Bowles, who began working on the Centennial Celebration four and one-half years ago, estimates he spent one-half of his time last year on the meeting and one-third the year before that. Much of that time was spent on the phone. "Until you work on a meeting like this, you have no idea the amount of planning and details involved," said Bowles, who left on a two-week vacation to British Columbia and Washington State immediately after the meeting.

"I was lucky to have the right people working on this with me. Members of the steering committee — Ed Boynton, Harry Garber, John Gardner and Stan Hughey — were vital to this meeting's success. There couldn't be a better person to head the program committee than Robin Leckie, who had a hard-working committee in Ed Friend, George Morrison, Dick Robertson, Bob Shapiro and Mavis Walters," he said.

"Our collective goal was to have people leave the meeting saying, 'Golly, I'm glad I was there for that.'"

## *Fundamental Concepts to shape standards and principles*

Charles L. Trowbridge's new monograph on the *Fundamental Concepts of Actuarial Science* may help shape actuarial standards and principles for the next 100 years.

The Actuarial Education and Research Fund (AERF) commissioned Trowbridge early in 1988 to author the monograph, which identifies the fundamental intellectual concepts of actuarial science. It was distributed to attendees at the Centennial Celebration.

Trowbridge, a former SOA President, said in an interview that the monograph is an important stepping stone for developing actuarial standards and principles. Without fundamentals, it would be impossible to develop standards and principles, he said.

However, Trowbridge said, the monograph is somewhat out of the ordinary. "It's kind of unusual. I don't know any other profession that's done this," he said.

In the introduction, Trowbridge described a three-tier structure the profession appears to be moving toward. The first level includes the fundamental concepts at which the

monograph is aimed. The second level is the principles actuaries employ, as they apply fundamental concepts to practical problems. The last tier is composed of actuarial standards.

He also emphasized the importance of unity in the actuarial profession. In an interview, he said the gap between life and casualty actuaries needs to be filled, and all actuaries must unite.

In the monograph, Trowbridge also touched on the evolution of the profession. He wrote, "In earlier days, most of those who thought of themselves as actuaries were employees of life insurance companies and hence part of the insurance industry... This close connection between the actuarial profession and the insurance industry is largely a thing of the past."

In one of the book's lengthier chapters, Trowbridge addressed the economics of risk, citing the special relationship actuaries have with financial security systems as one of the foundations of actuarial science.

In the same chapter, he discussed the uniqueness of the actuarial role.

*Continued on page 13 column 1*

*Charles L. Trowbridge, right, discusses his "Fundamental Concepts of Actuarial Science," with Ardian C. Gill.*

