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## Book review

# Moorhead captures historical sweep of profession in new book

by C.F.B. Richardson

*Our Yesterdays: The History of the Actuarial Profession in North America, 1809-1979* by E.J. Moorhead. Published by the Society of Actuaries. 437 pages.

(Ed note: This long-awaited book, which documents the history of the actuarial profession in North America, will make its debut at the June 12-14 Centennial Celebration in Washington, D.C. Registrants will receive complimentary commemorative copies. This sweeping history of the actuarial profession may be ordered through the Society of Actuaries after the meeting.)

Every actuary should read this fascinating history, so long overdue. Back in 1982 Dwight Bartlett, then SOA President-Elect, voiced his concern about the crying need for a history of our profession on this continent. His efforts bore fruit with the Council of Presidents about five years ago. The Society was indeed fortunate that an actuary as well qualified and dedicated as Jack Moorhead was persuaded to tackle this mammoth job. It is extremely difficult to comprehend the immensity of the task that faced him, the mass of material that had to be dug out of the archives, and the voluminous amount of reading required to uncover long-forgotten facts.

The following extract from a letter from Jack Moorhead to the reviewer not only reveals his frustrations in bringing together the mass of material that is the basis of this book, but also includes suggestions that deserve consideration by some of us who are retired but can still serve our profession.

"1. It is extraordinary, and distressing, that much of this writing was not done years ago. It's baffling to try to understand why this gap was allowed to widen and widen while eye-witnesses were lost by death and valuable records were lost or destroyed.

2. By no means do I consider that the job is done. My hope is that the book's divisions of the subject into 14 parts may encourage others to explore one or more of those parts more thoroughly than I have managed to do even with all the help I received.

3. Maybe the fact that a retired member in his upper 70s has done this much may remind the powers-that-be that the ranks of the retired include some people who might be put to work on projects to which they can give time that actuaries still on the active list seem less and less able to spare."

If just a handful of retired actuaries would respond to this appeal, that would be the best way to repay our great debt to the author.

Chapter I begins in 1809, reciting the struggles of our predecessors over a 50-year period. The author's criticism of Fackler's unjustified comment in 1909 is well founded. The section headed "Premiums Charged in Early Days" would have been improved if a brief description of the various mortality tables then in use had been included.

Chapter II covers the next 30 years before the founding of the Actuarial Society of America (ASA), which probably would have been established many years sooner had it not been for the intense and unbridled competition that developed among the larger companies. This competition involved many unsound practices that eventually resulted in the Armstrong Investigation in 1905. This chapter is a fascinating and illuminating account of those rather hectic days in the U.S. life insurance business. Canada, as usual, showed greater moderation and control.

Chapter III covers the 30 years from 1889 to 1918, perhaps the most eventful period in the profession's formative years. Table III.1 listing charter members of the ASA shows an overwhelming concentration geographically, as follows:

East	28
Middle West	4
South	1
Far West	1
Canada	4
Total	38

No wonder the American Institute of Actuaries was formed in 1909.

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THE ACTUARIES OF THE PAST gathered in October 1883 for a meeting of the Actuarial Society of America in Philadelphia. Among the luminaries gathered here are Sheppard Homans (bottom row, far left) and, next to him, Donald Parks Fackler, the first two presidents of the ASA. Also pictured (second row from bottom, fifth from left) is Emory McClintock.

## Our Yesterdays cont'd

with the following distribution of charter members:

East	1
Middle West	35
South	3
Far West	3
Canada	0
Total	42

The section about "Preliminary Term Valuation" reminds this reviewer that J.B. Maclean, in his 1943 Presidential Address to the ASA (*TASA* 44, 223), referred in a positive way to the use of this type of reserve but, in practice, never recommended it to his own company. The attitude of the old established companies was undoubtedly somewhat snobbish; the argument was that by changing to that weaker basis, the company's surplus got a one-time shot in the arm, and thereafter, it made little difference to earnings. Of course, this is true only if the volume and type of new business remains constant, which it never does. Eventually the accounting profession quite justifiably insisted on a more realistic basis for measuring current earnings.

The section headed "World War I" mentions briefly the existence of business in foreign countries. There are also two references on this subject in the Appendix to Chapter III, viz., papers by the eminent Dr. Arthur Hunter to the Fourth and Seventh International Congresses. The three largest U.S. companies, Mutual Life, New York Life and Equitable, had large operations in Europe early in this century, which they closed down after World War I. A small group of Canadian companies later became an important factor in Great Britain and much of the British Empire, Latin America, and even in some Far East countries. Some of these operations of Canadian companies exist to the present day.

Chapter V is headed "1949-1964: Expansion and Fresh Directions." It could just as well have been titled "The Relentless Speed of Change," although one must admit the years 1965-1979, covered in Chapter VI, could equally well qualify for such a title. Indeed there is no sign to this day of any slowing down in the speed of change as we approach the end of this century. The multitude of subjects covered masterfully in Chapters V and VI may be regarded as the book's heart.

The section in Chapter V headed "Pensions" deserves special comment.



*ACTUARIAL PIONEER* George B. Buck was the first in our profession to establish an authoritative role in advising municipal authorities — in his case, primarily those of New York City — in determination of appropriate contributions to pension plans.

The landmark paper, "Fundamentals of Pension Funding," was a most important supplement to the classic British papers. The later Trowbridge paper on funding methods (*TSA* XV) is another important work. The earlier paper in *TSA* XI by Warters and Rae and Moorhead's comments thereon are worthy of special emphasis. Moorhead laments the decline of such formal papers and the overemphasis on informal discussions, which cannot possibly have the depth of thought that is so important.

The American Society of Pension Actuaries is referred to in Chapter V and Chapter VI. One of the motivations involved in the formation of this organization was the use of "split funded" pension plans financed by a combination of individual whole life policies with a "side fund" designed to convert these policies to life annuities at retirement date, using the settlement options. This involved an actuarial calculation of the level premium pure endowment payment required into these trust funds each year, a rather simple calculation. It also required actuarial assumptions for interest and mortality. The total cost of the plan depended on the amount of these payments plus the net cost under the policies.

These plans involved high commissions to the agent and excessive costs to the employer, especially in businesses with high rates of turnover and many employees. Many companies active in these operations were not in the group pension business, and those that were had to

establish limits defining the size of case that required use of the group product with consequent lower cost. Perhaps actuaries should have taken a stronger stand in defining these limits than seemed practical at the time.

The section in Chapter VI on "Policy Cost Comparisons" gives a frank and competent discussion of a particularly thorny subject. In the opinion of this reviewer this is an example of a failure of our profession to face up to a serious problem. As was inevitable, the void was filled by others less competent than our profession to deal with a matter so complicated and important to the public relations of our industry.

The section about SOA elections mentions the desirability of adequate representation geographically and by type of employment. In the 20-year period 1967-86 there were 12 presidents from life companies, seven from consulting firms, and one from government. However, in this period only two presidents were Canadians, an underrepresentation that needs to be remedied.

Several sections of Chapter VI well describe the major changes in life insurance reserves, statutory minimum nonforfeiture benefits, and finally changes in statutory valuation requirements with substantial broadening in the responsibility of the actuary certifying the reserves.

Chapter VIII describes the sad story of income disability benefits attached to life insurance policies, surely a long series of disastrous decisions that actuaries would prefer to forget. The account given is much kinder than some of us would have expected.

Chapter IX is a fascinating account of the rapid evolution from simple desk calculators to the modern electronic computer. The 1936 meeting at Staple Inn Hall in London, at which Phillips presented his paper, "Binary Calculation," was one that this reviewer was privileged to attend and will never forget.

The remaining chapters deal adequately with the subjects involved and need no comment.

It is to be hoped that our members will study and profit from this most excellent work. It should make us proud of our heritage and inspire us to do our part in shaping the future of our profession.

**C.F.B. Richardson** is a retired Fellow who has contributed numerous papers to the *Transactions*.