



SOCIETY OF ACTUARIES

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OPINION

On trust, respect, and the CAS

by David M. Holland

1997-98 SOA Immediate Past President

One of my key goals during my year as president was to work with the Casualty Actuarial Society (CAS) and other actuarial organizations, focusing on the good of the profession. To summarize some of the issues over the past couple of years, we had hoped to cooperate with the CAS in increasing the joint sponsorship of exams, to support broadening the scope of the SOA Foundation by merging with the Actuarial Education and Research Fund (AERF), and to have the CAS participate in sponsoring the new *North American Actuarial Journal* (NAAJ). Results on these issues have been mixed, at best.

The May issue of the CAS's *Actuarial Review* contained an unfortunate editorial entitled "How to Catch a Wild Hog," which was a metaphor for how the SOA is, in some CAS members' minds, trying to take over the CAS. This editorial was buttressed by four other articles that referred to the relationship between the CAS and the SOA. Some of the rhetoric was so strong that the SOA Board felt this matter should be brought to the attention of SOA members, which resulted in my letter that was mailed with the June issue of *The Actuary*.

Since June, progress has been made. Although joint sponsorship of exams will be limited to the first two, we are trying to work together to develop common study material where possible. I understand that the CAS is going to let the merger of the AERF and the SOA Foundation proceed on its own merits. We have an uneasy truce regarding the NAAJ, and we hope that in time the CAS will view the NAAJ as a positive addition to the profession rather than as a competitor with its

Proceedings. The August issue of the *Actuarial Review* contains some 15 responses to the May issue's stories, ranging from support for taking a hard line with the SOA to "I have seen the enemy, and it is us." This summer, the SOA board received a letter in which the CAS board disassociated itself somewhat from the *Actuarial Review* but not totally from its views (see letter, page 13). Bob Anker and Mavis Walters, the CAS president and president-elect respectively, met with the SOA board and, in turn, I met with the CAS board. Also, we are considering the possibility of a joint board meeting next year. I hope that all of these efforts will improve our relationship.

Some of the difficulties are symptomatic of the CAS leadership's deeper underlying concerns, such as a fear that the SOA is planning to take over the CAS. In addition to the "Wild Hog" editorial, another example of this concern is found in the letter Bob Anker sent to all CAS members last February. The letter, protesting the NAAJ, said:

We were influenced by the long-term desire of the CAS to retain independence and by the continued assurances from the SOA that they have no plans to "take over" the CAS. ... While we obviously cannot control the actions of the SOA, we find ourselves needing to judge them by actions that seem inconsistent with their public expressions of intent.

The previous Council of Presidents, under the leadership of the Conference of Consulting Actuaries,

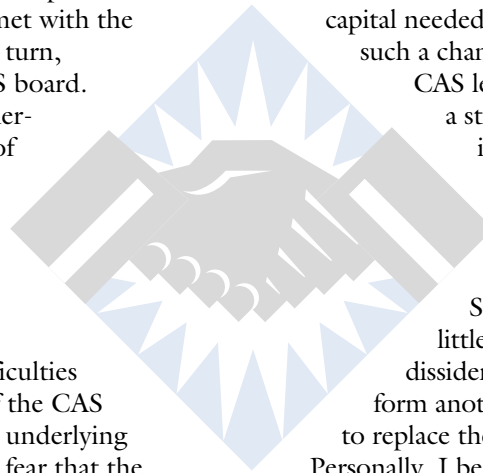
studied the structure of the North American actuarial organizations. Most of the organizations involved did not see a need to merge after thoroughly discussing the issues raised. While some individual SOA members feel the profession would be better off with fewer North American actuarial organizations, I have not seen a willingness on the part of the SOA leadership to invest the tremendous organizational capital needed to bring about

such a change. Given that the CAS leadership has taken a strong stand on independence, any attempt at a merger would be considered a hostile takeover. Such a move makes little sense to me; dissidents usually just form another organization to replace the one taken over.

Personally, I believe that if the CAS ever wanted to pursue a merger, the SOA should give it very serious consideration, but otherwise we should try to work together cooperatively as independent organizations. As for a master plan for an SOA takeover of the CAS, I've seen no such thing.

As suggested by comments at the CAS board meeting I attended, the fundamental issue is mistrust. There is a mistrust of the SOA as an organization. There is also a mistrust of SOA members; the CAS feels that SOA members want to practice in casualty areas, despite a lack of training in casualty material and in disregard of professional standards and codes of conduct. CAS members also feel the SOA does not respect casualty actuaries

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CAS reaffirms independence, value of work with SOA

Following is the letter sent to the SOA Board of Governors in August by the CAS Board of Directors and signed by Robert A. Anker, CAS president.

The May 1997 issue of the *Actuarial Review* contained three opinion pieces: an editorial titled "How to Catch a Wild Hog" by the editor in chief of the newsletter and a member of the CAS Board of Directors, C.K. (Stan) Khury; a column titled "Cassandra of the CAS" by a member of the CAS Board of Directors, Sholom Feldblum; and a column titled "From the President" by Robert A. Anker. The CAS Board of Directors has been told that these three pieces have generated a substantial adverse reaction with the SOA leadership.

The CAS Board of Directors wants to reaffirm to all parties that the opinions expressed in these articles do not reflect an official policy of the CAS. Also, although there is a written disclaimer in the *Actuarial Review* stating, "The Casualty Actuarial Society is not responsible for statements or opinions expressed in the *Actuarial Review*," we are aware that some readers have, regrettably, mistakenly assumed that an editorial in an official CAS publication is a reflection of CAS policy.

The CAS Board of Directors also affirms its strategic plan, adopted by the board in September 1996, which (a) characterized the CAS as an independent organization of professionals with a distinct identity, yet (b) recognized that joint activities with the Society of Actuaries will often be beneficial to casualty actuaries, the CAS, and the entire profession. That plan further states, "the challenge of the future (in particular, expanding the scope of casualty work) may be 'furthered' by some cooperative endeavors with the SOA."

The CAS board continues to believe that "... the CAS should become or remain involved in the joint activities or cooperative efforts, including exams with other organizations ..." so long as the guiding principles set forth in the strategic plan are met.

The CAS board wishes to continue to foster a cooperative relationship between the CAS and the SOA and encourages the CAS leadership to continue to work together for the good of the profession as well as the CAS and the SOA.

On trust (continued from page 11)

or their training. Though they hear the SOA's assurances, their lack of trust leads them to cite examples of disrespect from as far back as 1914, when the CAS was founded, all the way up to today. Clearly, there is a deep wound in the psyche of the CAS leadership.

Establishing trust will be difficult, and attacks on the SOA have not helped the situation. Anyone who has studied the CAS education syllabus recently or who has worked with the CAS exam committees should have high regard for the quality of their education and examination program. Certainly, the property and casualty industry is an important part of the insurance industry, and casualty actuaries play a crucial role there.

Based on discussions at SOA board meetings, I sent a letter to Bob Anker and copies to the CAS board. My letter said, in part:

Because of recent questions and comments, the SOA board wants to affirm that it has the utmost respect for the CAS and its members. Further, the SOA board understands that the CAS is "an independent organization of professionals with a distinct identity" and has no plans to challenge the organizational sovereignty of the CAS.

In spite of all the past problems, I hope that SOA members will demonstrate respect for their professional colleagues in the CAS and that the CAS will develop trust and confidence in the SOA. In the end, my goal is still that we will be able to work together cooperatively for the good of the actuarial profession.

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Seeking balance (continued from page 10)

Although integrated delivery systems assume insurance risk, they may have a greater ability to control the costs and quality of care than the formula recognizes because they provide services directly. If the formula fails to recognize this fact, too much capital could be required, which would hinder such

systems' ability to enter the direct contract market.

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