

TRANSACTIONS

OCTOBER, 1953

ADDRESS OF THE PRESIDENT, JOHN R. LARUS

AS WE review the events of the past year our first reaction must be one of thankfulness—thankfulness that fighting in Korea has ceased. The world is not at peace, unrest and distrust prevail, the race for armament goes on—but for our countries at least the casualty lists have ceased and time is given in which to work with the other nations of the world in trying to create a lasting formula for peace.

On the domestic scene, both Canada and the United States have undergone change in heads of state, the former through the untimely death of King George VI and the latter through the voice of the people. As has been said many times, it is a tribute to our forms of government and the temper of our citizens that the changed order in each of our countries was ushered in with complete smoothness and with the support of all the citizens.

In one of our important states, legislation was passed this year vesting in the Superintendent of Insurance certain powers in relation to allocation and reporting of income and expenses. The admitted advantage in having the annual statements of various companies on a more nearly uniform basis is apparently being attained through the medium of further state supervision of management's control of its own internal affairs, and the danger is present that this legislation may result in added cost of insurance by requiring unnecessary accounting and may encourage expense comparisons which are generally recognized to be misleading. Legislation which is binding on the accounting methods of companies domiciled in many states, moreover, should in order to avoid confusion and conflict be the concern of the Blanks Committee of the National Association of Insurance Commissioners rather than the isolated action of a single jurisdiction. It is sincerely hoped that the administration of the law will be tempered with full understanding of the many facets of the problem.

The year has been one of progress and development in our Society. In addition to the usual valuable committee reports, there has been published the first disability study in many years. In the final session of this meeting we shall have the opportunity to discuss it in detail. The *1951 Impairment Study* is now completed and will be in our hands within a very short time.

INNOVATIONS

The Society is entering upon its fifth year. In this respect we have the vigor of youth; yet our strength also rests, when we consider the combined span of our two parent organizations, upon the background of the heritage of a hundred years. We are therefore not only blessed with traditions but retain the youthful initiative to break with them when it seems wise. In the few years under our present form, we have inaugurated several innovations, not the least successful of which appears to be the forum on inflation held at our eastern spring meeting this year in which we had the opportunity to hear recognized authorities from outside our own ranks discuss a topic of national importance which at the same time in many of its phases is closely related to our own problems.

The recent policy of holding either a forum or panel discussion at the great majority of our meetings, including a Smaller Company Forum at our western spring meetings, has been continued this year. We included the subject of new recording means and computing devices in our informal discussion at our western meeting this spring; this carried on from the start made the year before when our Committee arranged a presentation on the subject of electronic machines at the meeting in Washington (supplemented by a visit to the National Bureau of Standards laboratory), which laid the groundwork for an unprecedented open meeting in the fall. Tomorrow there is scheduled what we hope will be an interesting and valuable panel discussion on Unemployment Insurance, led by speakers from our own ranks who are recognized authorities on the subject.

As our membership continues to grow, the opportunity for individuals to take active part in our programs inevitably decreases; the scope of actuarial interests meanwhile expands. It would seem as though we should again after the lapse of many years experiment for a session with the seminar style of simultaneous meetings. Several additional interesting and pressing subjects could then be covered while, with our practice of digesting all informal discussions in the *Transactions*, members who are interested in the topics covered at more than one of the simultaneous meetings could subsequently post themselves on those they were unable to attend in person.

EXAMINATIONS AND MEMBERSHIP

The scope and style of the admission examinations of the Society are of necessity continually in a state of flux. This is unfortunate in that it creates problems when students find certain topics shifted from one part to another. It is, however, important that our examinations keep abreast of changing circumstances. During the past year the Board accepted the

recommendation of the Education and Examination Committee to include Individual Accident and Sickness Insurance as a specific topic, thus necessitating rearrangement of the Fellowship schedule. As in similar instances in the past, every effort will be made to eliminate any resultant hardship on students who have already passed parts of our Fellowship examination.

Our present general style of Associateship examinations may be said to date from 1947. At that time we inaugurated the nonmathematical Part 1 as a screening test that did not necessitate specific preparation. Simultaneously we changed the character of Part 2, and later that of Part 3 and a portion of Part 4, by substituting a large number of short questions for the few long ones so that the chance for error in sampling is minimized. We also made a special effort to acquaint more colleges with our program and encourage more undergraduates to take our examinations, offering prizes for the best results on Part 2. It takes a longer time than would at first be thought necessary to accumulate authoritative statistics that would attest to the success of these changes. Not only is the Education and Examination Committee keeping a punched card index for each student but our Advisory Committee is now commencing a study, in which names will be kept confidential, attempting to correlate success in examinations with subsequent progress.

We are trying by these means to develop at an earlier age Fellows and Associates who in every way meet our standards. Those who attained Fellowship by examination in 1941 had a median age of 32; this year the corresponding figure was 30. Part of this reduction is, of course, due to the fact that for several of the intervening years we held examinations semi-annually (probably more than counterbalanced by the loss of opportunity on the part of men in service to sit for examinations), but of great influence is undoubtedly the fact that it has been made easier to have some steps on the examination ladder safely climbed at time of graduation from college.

Examinations for membership in the older of our parent societies were inaugurated in 1897, the first Fellowship by examination being granted in 1900. In the early years only a handful emerged as Fellows by examination. When I was admitted in 1918 about ten persons a year were attaining Fellowship by examination in the Actuarial Society or the American Institute. At the present time the number has grown to almost fifty.

The accompanying table gives some figures showing the size of the actuarial organizations and the approximate magnitude of private legal reserve life insurance in the United States and Canada. It will be seen that the number of actuaries has more than kept pace with the number of companies but by no means with the growth of insurance in force. This is in

accordance with what would be expected as companies grow in size. There is still an unfulfilled demand for actuaries; it will therefore come as a surprise to many of us to hear a quotation from a Presidential Address given before the Actuarial Society in 1897: "It would be a matter of serious responsibility to advise any promising young man engaged in choosing a profession to make choice of ours. . . . There is scarcely any class of incorporated companies in which the openings are not more numerous than in the life insurance companies."

Year	Fellows and Associates	Average Attendance at Meetings	Number of Life Companies in U.S. and Canada	Insurance in Force in U.S. and Canada (in Billions)
1893.	78	55%	78	\$ 5
1913.	327*	34%	332	20
1933.	702*	35%	419	107
1953.	1,346	31%	750	306

* For these years, when both the Society and Institute were in existence, duplications in membership have been eliminated in this column.

CHARACTER OF MEETINGS

Over the years the size and therefore the character of the meetings has changed considerably. We are told that in 1889 when the Actuarial Society was founded several chief actuaries of the larger companies had to be formally introduced to each other. With the formation of this organization personal relations naturally grew close and, before long, companies which had hitherto carefully guarded results of their research as secrets of trade were pooling their experience to form mortality tables as well as sharing their underwriting and technical practices. As the membership grew, however, meetings became less intimate and by 1909 it was frankly doubted "if even the Secretary could shake every member by the hand and call him by name as he did so." At this juncture the American Institute was founded, with its original membership largely drawn from the younger Midwestern companies. There began a new series of meetings where smallness of numbers encouraged a delightful sense of camaraderie and informality. There then gradually emerged a period when the number of members and the actual membership of the two organizations became similar and their meetings grew closely parallel. Joint activities were found proper and economical, and four years ago the complete union of the two organizations came about with practically unanimous consent.

At that time considerable study was given to the number and location

of the meetings; it may not be amiss to review the conclusions to see how they reflect present conditions.

Instead of each organization holding a spring and a fall meeting, the new Society of Actuaries provides for two meetings in the spring, one located near the midwest center of actuarial population and one in the east. The fall meeting moves about freely from year to year in order to recognize the Canadian membership (which is 20% of the total) as well as the distribution of American actuaries. A study of location of members residing on this continent as of the middle of this year shows that the center of population lies just about midway between New York and Chicago—on the Pennsylvania-Ohio line, at a point 50 miles east of Cleveland. As, however, there are actually few actuaries who live near this “center of gravity” and as total travel time differs little regardless of where the meeting is held within the circle having this point as a center and New York and Chicago on the circumference, it has been the practice to vary the location within these limits. As many of our members, however, live in the far west, it seems to be a sound policy to hold one of the spring meetings occasionally outside the normal limit. Accordingly, twelve of our thirteen meetings have been no farther from our center than New York or Chicago, while one was in Denver. A year from next spring we propose to hold our June meeting in California—the first West Coast meeting of this Society or its parent organizations.

As our members well know, our meetings are work sessions. On the average 15 papers a year have been presented and discussed. These papers, each of them representing many months of labor and research, were selected for presentation by a Committee on Papers from a much larger number prepared and submitted by our members. A somewhat rough division of the accepted papers by topics would be:

Mortality and morbidity	14
Premiums, dividends, lapsation, and valuation	11
Problems in the fields of accounting, agency, law, and selection of risks.	10
Technical	6
Pension and government insurance	17
Society matters	2
Total for the four years.	60

At our meetings we also hold discussions on current insurance topics (actuarial or otherwise) and hear reports of standing committees (which are annually printed in the reports number of the *Transactions* and made available to members and companies) covering current investigations into mortality and morbidity. Between meetings our committees are constant-

ly at work collecting, preparing, and studying the data from which these reports, on which the scientific basis for our whole business depends, are created. The hours after our business sessions often afford a suitable opportunity for our committee members to meet and discuss the problems that continually arise.

The Society of Actuaries is a professional association, membership in which is gained only by passing certain examination requirements which the Society itself prescribes. We accept no subsidy or contribution from any organization. Our membership moreover is by no means exclusively drawn from members of life insurance companies. In fact, 25% of our members are otherwise engaged—in government posts, consulting practice, general industry, or other pursuits. To many of these members our meetings offer their main opportunity to associate with their fellows for mutual educational advantage.

Our annual meeting, which is held in the fall, has an average attendance of about 500 members; each of our two spring meetings about 350. This means that on the average each of our members attends about one meeting a year. The fact that one of our spring meetings is normally held near the eastern concentration of our membership while the other favors the western group does much to make it practical for the majority of the members to attend one of these two meetings. The fact that the two spring meetings are about two months apart, moreover, makes it easier for officers and Board members to attend both and for topics of current interest to be placed on a program while still timely. The Board convenes in connection with all three of the Society meetings. The agenda are usually long and three-hour sessions the rule rather than the exception.

Duplication in attendance at the spring meetings is surprisingly small. Figures prepared for the years 1950, 1951, and 1952 show that on the average 7% of the membership attend both spring meetings. If officers and Board members are omitted, the percentage would be noticeably smaller. It is obvious that since these meetings are normally held in insurance centers no travel time or expense is involved for many of those in attendance. If then we eliminate local members also, duplications drop to the insignificant figure of 3% of the total membership.

While much of what goes on in our meetings finds its way into our *Transactions*, embracing an average of 750 pages of papers, discussions and reports each year, much is lost by the member who misses attendance, even though he is a faithful reader. Few would maintain that a college education obtained solely from textbooks is the equivalent of one supplemented by personal discussion and contacts. Any abridgment in meeting time would of necessity reduce the material produced, while smaller at-

tendance would narrow the breadth of discussion. All of us, moreover, are immeasurably richer and better able to give full value in our daily work if on occasion we have the privilege of mixing on terms of informality and friendship with our fellows.

AVOCATIONS FOR THE ACTUARY

In the normal business world there are many hours each week, after work, transportation, sleeping, and eating have been cared for, in which one can occupy himself according to his own choice. Much of this time is available for what we call in broad terms our hobbies. We usually consider as a hobby a pursuit that is somewhat different from the usual routine of the average person or one which is indulged in more deeply or more exhaustively. It is a somewhat disquieting thought, but one's common way of killing time is actually one's hobby.

Hobbies may be divided as to whether they are indoor or outdoor, participant or spectator, strenuous or passive, seasonal or year-round, creative or nonproductive, stimulating or vegetative, mental or physical, social or solitary, exacting or casual, space-consuming or compact, requiring special aptitude or generally suitable, and in many other ways. Like habits, hobbies should be carefully selected. They should hold forth a definite interest to the individual and should be within his capability and means; it is, moreover, very important that they should not be a source of friction within the family. It is also maintained by many that one's hobbies should furnish a decided contrast to one's work and should, of course, be capable of being ridden without excluding other normal demands upon one's time.

Fortunate indeed is the individual who possesses a hobby that meets these standards. So fortified he can more easily shake off office problems and worries each day when he leaves his desk. With such a hobby he enlarges his interests, his vision, and his friendships. But hobbies can also be chosen to suit particular needs and aptitudes and these *mariages de convenance* can indeed be most happy ones. The important goal is to form a union that will continue to hold attraction and challenge as time passes.

Ours is not a profession where it is normally possible to taper off as we grow older. The great majority of us hold positions calling for particular responsibilities which we must either shoulder in their entirety or pass on to our successors. One day, without any real period of natural adjustment, we shall find ourselves dependent upon our avocations alone. If at that time we are pursuing a hobby that can because of its nature and our fondness for it be promoted into our main interest, the way is made more clear and the transition less of a shock.

Talents, professions, and needs vary widely between individuals. So hobbies will differ in their appeal. No one should attempt to choose another's hobbies for him, yet there is one avocation which every good citizen should carefully consider. I refer to the performance of local civic responsibilities. In many sections of our country, municipal pension plans have been created with little regard to equities and costs. Some have already toppled of their own weight and others will eventually call for expenditures so great as to endanger the plans themselves. Many of the laws governing these are passed and amended by state legislation or by city ordinance with scant consideration of the relation between benefits and costs. Reserves are rarely adequate and many of the pension commissions that carry out the laws are without actuarial advice or counsel.

A real public service to municipal employees and taxpayers alike can be rendered if more trained people will study the pension plans of their own city and state or province. If these are found unsound, newspaper and other publicity should be sought and appearance made at legislative hearings whenever ill-conceived bills are introduced.

There are yet other ways wherein an actuary can render valuable service to his community. For example, school boards are universally pressing for money to build new schools. While many of these requests are sound, others are not carefully thought out or supported by scientific projection of birth rates, population shifts, and other factors familiar to the actuary.

While this type of avocation would not of itself provide proper foil to an actuary's daily routine or remove the need for a more relaxing hobby, yet it would by creating new interests and contacts free him in some part from the confines of his profession.

Part of the debt which, as reads the motto of the Institute of Actuaries, each man owes to his profession, can well be paid in voluntary service to his fellow citizens.