

# TRANSACTIONS

SEPTEMBER, 1960

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## ADDRESS OF THE PRESIDENT, JAMES E. HOSKINS

**I**N THE early years of the Actuarial Society of America, an address by the President was a matter of custom, continued by one President after another, often with a word of apology. When Emory McClin-tock came to the presidency, he declared that he was not going to apologize for what had become a recognized duty of his office. Thereupon the Society amended the By-Laws to make such an address a part of the order of business, and this was carried over into the By-Laws of the present Society. Therefore I ask you to remember that these remarks are made by your own mandate. Indeed, it might be said to be unconstitutional if a president concluded his term without having given such a talk.

The President is thus enabled, if he chooses, to present a paper without its undergoing the scrutiny of Lou Levinson's sharp-eyed Committee on Papers. My remarks, however, will hardly deserve to be called a paper. They will mostly be comments on certain things the Society is doing or considering to improve its usefulness, leaving some of the most important developments, such as the examination program, certification of actuaries, and the 1958 CSO Tables, to be covered by other speakers this afternoon.

### ADDITIONAL OFFICERS

The action you have just taken in creating the office of President-Elect and dividing the office of Secretary-Treasurer into two offices will be welcomed by all the officers concerned. I was interested to learn that the idea of a President-Elect was considered when the merger of the old societies was under study. One report remarked that otherwise "the President's term of office may be over just about the time he acquired a firm grasp of the problems needing executive guidance." This I have found to be only too true.

### MEETINGS

For some time a special committee with a long name, which I shall here call the Committee to Study Meetings, has been considering how we can achieve free discussion and an air of informality in our meetings

in the face of membership numbers which have increased substantially, and are expected to increase even faster in future. This committee was headed originally by Henry Rood, and now has Earl Bucknell as its chairman. As one result of its studies, the practice has been adopted of devoting a part of each meeting to simultaneous sessions on specialized subjects, each of which is small enough to produce good discussion in which many members can participate.

Subjects for these specialized sessions are suggested by the Committee on Fields of Activity, presently headed by Andy Webster. This committee might be described as the representative of minorities. Its principal function is to see that our programs provide something of value to groups of members whose interests differ from the majority of the Society. The members of the committee are chosen so as to represent different regions, business interests, and ages. To produce prompt consideration of its recommendations, its chairman is a member of the Program Committee.

Some members have feared that the growth of the Society would inhibit the participation of younger members. I note, however, that the majority of recent papers have come from that group.

To reduce the size of even the general sessions, the Committee to Study Meetings suggested trying four spring meetings in different parts of the United States and Canada, in two pairs, with much the same program in both meetings of each pair, but with variations in order to recognize the special interests of members in the region where each meeting is held. This was done in 1959, and will be tried again in 1961 and 1962. Whether it will be a permanent program will not be determined until the second trial of the plan, next spring, has been observed. It is possible that in some year the experiment will be tried of using substantially the same program at each of four spring meetings.

Eight actuarial clubs or groups of clubs representing regions or large cities graciously invited your president to one of their meetings during the past year, and two other regional clubs met concurrently with the Society at New Orleans. In addition actuaries of Indiana, Ohio, and Kentucky meet annually without having a formal club organization, but did not have a meeting within the current Society year. These eleven groups cover nearly all of the United States and Canada, and their territories form a natural basis for a plan of distributing Society meetings widely, if that plan is eventually adopted. The frequency of meetings in a given region would probably range from two to four years, depending on the size of the region and the number of Society members therein. In those cases where the club wants to hold its own meeting in the same week with the Society, the latter would confer with the club before fixing its date.

With a plan of four spring meetings a year, each meeting would draw members from the territories of several regional clubs, even if each member attended only the meeting nearest to him. Moreover, at each spring meeting in 1959 it was found that there was substantial attendance from other parts of the two countries. Thus these smaller meetings would still provide a wide exchange of views.

#### SERVICE TO ACTUARIES OF SMALLER COMPANIES

At some of the spring meetings this year, as I have said, and also last year, actuarial clubs in the region of the meeting held their own meeting on an adjacent day, with the members of each organization invited to the meeting of the other. This on the one hand enabled Society members to observe the procedure of actuarial clubs other than their own, and on the other hand allowed nonmember actuaries to hear and take part in Society discussions. Our meetings, with one minor exception at this year's Washington meeting, have been open to all actuaries. Thus the Society has served to advance the professional knowledge of all actuaries, although those who have demonstrated the degrees of professional competence tested by the Associateship and Fellowship examinations, respectively, have the special privileges of membership as, for the present, do representatives of former contributing companies. However, nonmember actuaries are more likely to avail themselves of the benefits of attendance at Society meetings which are held in their own part of the country and at which other actuaries of their close acquaintance are present. Hence it seems to me that the plan of holding meetings in more cities, well distributed throughout the two countries, if it is continued, will among other things help to further the actuarial education of those nonmembers who perform actuarial functions in small companies, and so will enhance the public recognition of all actuaries. The "smaller company" forums, which have recently been extended to all spring meetings, are especially valuable in this respect.

In this connection, some interesting information was gathered by the Fitzhugh committee which studied the need for actuaries and recommended changes in the examination syllabus. The committee sent a questionnaire to all life companies in the United States which had as much as twenty million of insurance in force at the end of 1957 and which did not employ a Society member full time. The questionnaire asked them to estimate the numbers of Fellows and Associates needed immediately (1958), in 1963, and in 1968. There were 308 such companies, and 236 replied. Few of these reported an *immediate* need, presumably meaning that their requirements were being satisfied currently by nonmembers, or by

Society members on a consulting basis. They estimated a 1968 need, however, for 160 Fellows and 254 Associates; in other words, on the average each would want at least an Associate, and the majority a Fellow as well. This might be interpreted to mean that only the shortage of actuaries who have met the Society's requirements has kept many of these companies from employing a Society member today. It is interesting to note that in the two years since the questionnaire, seventeen of these companies, including some of very modest size, have added one or more Society members to their staff. No doubt many of the others retain a consulting actuary who is a Society member.

When the merger of the Actuarial Society and the American Institute was under study, the question was raised whether in discontinuing the admission of contributing company members we would seem indifferent to nonmember actuaries and would encourage the formation of other actuarial societies. This referred to societies devoted like ourselves to general actuarial subjects, not to specialties. To this it was replied that many actuaries thought that the needs of the small companies employing no individual member would be well taken care of by actuarial clubs. I believe this remains a good answer today, especially if club members are from time to time given the privileges of a Society meeting held in the same week as a meeting of the club.

#### RECRUITING OF ACTUARIES

While the recruiting of actuaries is perhaps more properly a function of individual companies and firms and of industry organizations than of a professional society, yet it has seemed appropriate for the Society to assist in certain ways. Its most important contribution has been the cosponsorship of the High School Mathematics Contest of the Mathematical Association of America. This has been one of the principal activities of the Public Relations Committee, whose present chairman is Bill Connell. The booklet which the M.A.A. gives to each candidate features the actuarial profession prominently. Very likely the M.A.A. would not have accepted any other cosponsor than a professional society. This year over 150,000 students entered this contest. If one reason for the shortage of actuaries is that capable students do not learn of the actuarial profession, or do not learn of it soon enough, it should help to have it brought to the attention of over 150,000 mathematically minded high school students each year. The Committee to Review Membership Requirements has estimated that to meet the estimated demand for actuaries ten years hence, 2,000 candidates should start the examinations each year. Compared with the 732 who started this year, this may seem an almost impossible increase. But

out of an annual crop of 150,000 who are told about the profession and who have some mathematical inclination, it would seem that in a few years, as these boys and girls begin to graduate from college, our profession should be able to attract at least  $1\frac{1}{3}\%$  of them, particularly if the industry takes steps to follow up the most promising candidates. The number of candidates for Part 2 increased sharply in the year after our sponsorship of the contest began.

#### ARE WE A SCIENTIFIC SOCIETY?

We often call ourselves a scientific society. Are we a scientific society, and do we want to be? Our constitution says that one of our objects is to advance the knowledge of actuarial science. Note that this is different from advancing actuarial science. Does this imply that we do not expect to make additions to the sum total of learning? Perhaps in the words of the late Clinton Shepherd, "What we need is better application of the few simple scientific principles that have been recognized for a long time."

Possibly relevant to my question is the following passage from a letter written to me by one of our most eminent members:

In reading recent numbers of the *Transactions*, I have been impressed by the large amount of space which is taken up by the reports of informal discussions. A considerable part of that space is occupied by more or less repetitive statements as to the practice of this or that company on various matters of current, and possibly temporary, interest.

While these reports are, undoubtedly, of interest to a great many members, I wonder if most of them should be permanently embalmed in the pages of the *Transactions*. Such matter does not, to any extent, constitute, and is not intended to constitute, any original or important contribution to actuarial science or to professional knowledge. It serves merely as a convenient way of informing members what other companies are doing in regard to various current developments. I think the inclusion of any substantial volume of such "discussions" tends to change the character of the *Transactions* from that of a scientific journal (which it is supposed to be) to that of a "trade newspaper" (which it is not).

As far as the *Transactions* are concerned, this criticism can be met by putting the informal discussions in a separate annual volume, and beginning with 1961 this will be done. However, these discussions take up somewhat the same proportion of our meeting time as they do of the *Transactions*. It is certainly proper that we should discuss the application of principles already developed. Some of the discussions, however, are hardly actuarial. To my mind, the test is whether the discussion differs from what would be said on the subject in a meeting of a nonactuarial body. It is true that our members are, and ought to be, interested in insurance matters beyond the strict limits of the actuary's domain, and that

our examinations include the fundamentals of some other departments of the insurance business. However, should our discussions of such matters go beyond those fundamentals and such details as directly affect the actuary?

Even in the actuarial field, is there danger that we may overemphasize the application of principles as against the development of fundamentals? There are some who feel that we should spend even more time in informal discussion, and less in the discussion of papers; yet it is largely in papers that actuarial theory is developed. Some papers, to be sure, deal with specific situations, with the compilation of facts, or with the computation of functions. These are valuable and important. Our claim to being a scientific society, however, rests more largely on papers which classify knowledge, which bring new techniques to bear on old problems, or which relate our field to other sciences. Within the past year, including today's papers, to take a few examples, we have had Arthur Pedoe's paper on "Occupation, Social Class and Mortality," Herbert Feay's on "Introduction to Nonproportional Reinsurance," and Henry Huntington's second paper on the application of new techniques to certain premium calculations. Striking examples in the previous year were Louis Levinson's "Theory of Mortality Classes," which he pursued further at the recent International Congress, and Ray Peterson's Social Security paper, which related actuarial theory to a governmental problem. I believe we have today a good balance between theory and practice, and that we should not diverge too far from it.

In these remarks I have had occasion to mention a few of our committees. All of our many committees have been equally faithful. All of them are essential to what the Society has set out to accomplish. The number of different members who have served the Society through committee work is large, perhaps larger this year than ever before. For the time and thought they have given to the affairs of the Society I now express to them the Society's thanks. If I have seemed to forget that not every committee member has had as much time available for the Society's affairs as I, I acknowledge my fault. And may I close by expressing for the officers who have served with me and for myself the hope that, building on the achievements of our predecessors, we have helped the Society to keep going forward.