

TRANSACTIONS

NOVEMBER, 1959

ADDRESS OF THE PRESIDENT, PEARCE SHEPHERD

TEN years ago our Society held its first meeting. There were 332 Fellows, 65 Associates and 55 others registered during that meeting.

Today as we begin the Society's eleventh annual meeting, in the same beautiful location, we anticipate a total registration of nearly 700, and perhaps others would be here if they had been sure of accommodations.

Our meetings have grown—our membership has grown. The number of Fellows is 60% greater than it was ten years ago. The addition each year of growing numbers completing the examinations is very gratifying. But we know our rate of growth has to be stepped up if we are to fulfill our obligation. As we grow older we find we are losing an increasing number of our members through death each year, and there is a growing number of our members transferring to the roles of the retired—that sometimes-less-active status where we hope their abilities and counsel will continue to be used for the benefit of the profession for many years.

The more than doubled number of Associates over the ten year period and the increased number of students taking early examinations are encouraging for the future.

Much more could appropriately be said about the Society's first ten years, but I assume we are more interested in the health of our organization and the outlook for the future.

The Society shows every sign of a sound, healthy constitution. Those who planned its formation and set up its organization did well. They established a sound basic structure and provided for growth and change so that the Society could adapt itself to the dynamic world we live in.

Its founders suggested that every aspect of the Society's affairs be critically examined periodically. This was done a few years ago by a special committee under the chairmanship of Mr. Warters. That study suggested a number of changes and pointed out areas for further study. The result has been the formation of a number of committees with special responsibilities. You have seen several of their recommendations adopted; others will be as further study and discussion lead to clearly marked courses

of action. You will learn at this meeting of other suggestions made by these committees on examinations, meetings, programs. The record has shown and will show how effective this machinery has been in furthering the progress of our organization.

I am not going to enumerate or comment on specific accomplishments. I do want to commend all our members who have worked on these committees. They have given fully of their time and energy. The readiness with which our members accept such assignments, the interest they show, and the diligence with which they carry out their tasks is very gratifying and assures the Society of continued sound growth and progress.

I have mentioned some special committees first because we tend to take for granted the fine performance of the major standing committees. Their work is less likely to catch the spotlight because it continues from year to year. We know how important this work is—the trying work of the Education and Examination Committee, the several Mortality and Morbidity Committees, Press Committee, and the others. We are all indebted to our members who carry out these functions. We realize the personal sacrifice involved.

My year in office as your President has convinced me that we have in our Society organization and our membership a powerful force for sound, intelligent guidance through the problems that our civilization faces today. It is not surprising to us that more and more these problems—the design of a guided missile, or next year's automobile, or the most probable sales of a new product in a new market area—are referred to mathematicians for solution. We know how powerful mathematical reasoning is. And we know even better how training in mathematical disciplines helps to form minds capable of sound logical judgments in areas where it is as yet not quite possible to reduce the problem to simple mathematical terms.

Ten years ago our first President, Edmund M. McConney, chose for the title of his Presidential Address "The Responsibilities of 'Scientific Financiers.'" I have read and reread that address several times in recent months. I commend it to you as something you should read again at your first opportunity. In it Mr. McConney referred to a paper presented to the Institute of Actuaries in Great Britain by H. W. Porter in 1853. That also I have read and reread and commend to you. It is as timely today as Mr. Porter considered it then, and as Mr. McConney considered it in 1949.

Then—in 1853 and in 1949—as today, the questions were: What is an actuary? Where do we find the material of which actuaries can best be made? How do we develop more of them? What is expected of an

actuary? These are the questions that today the Society is concerned with, and working to find answers to, through its organization of committees, Board of Governors and officers.

Most actuaries had a better than average training in mathematics in college or sufficient aptitude and determination to get the equivalent or better elsewhere—because the examinations have always required that. We have never tried to make actuaries out of any other material. There seems to be little reason to think we have been entirely wrong in this, but it is disquieting to find some who think that perhaps our standards have been higher than need be. There is strong evidence that the better equipped the student is in mathematics, as judged by his grades on the early examinations, the less trouble he will have with the advanced examinations and the clearer the road will be to a successful actuarial career. This evidence may be clearer when the experiment begun this year of passing a broader group in the general mathematics test has been followed further. We may find that determination or “desire” is an important factor that may outweigh greater natural ability coupled with too little effort.

Our best prospects of more candidates for our examinations seem to lie in the direction of wider study of mathematics in the secondary schools, better teaching and higher standards. The growing glamour attaching to mathematics in many fields should help to increase our supply—but only if we succeed in promoting knowledge of and the opportunities in an actuarial career. The Society is spending money and efforts to those ends.

Mr. H. W. Porter in his 1853 paper extolled the virtues of a knowledge of Greek and Latin. We may hesitate to go quite as far as that, but there is little room to disagree with the basic idea that a broad general knowledge is desirable. A knowledge of words and how to use them effectively both in writing and in speaking will prove more and more essential as an actuary advances in his responsibilities.

The language aptitude test which has been a part of our examination for many years may not be necessary; the abilities it tests for are necessary. It reveals a great deal about the candidate's background; it may reveal even more about his character, his breadth of interest and his ambition.

More could be said about what actuaries are made of but it has been better said in President McConney's address and in the paper, now more than 100 years old, by Mr. Porter.

Given the basic material, how do you “make” an actuary? There must be more than one way because we in this room have followed different paths. Additional time in the college classroom? Work experience

while continuing to study life contingencies and related problems? Both may produce an "actuary." Something of a combination leading to the "maturity" we are looking for may be the best solution.

What are we looking for? What is this opportunity we hold out to the aspiring student bold enough to start our course of examination?

He can see a wide range of activities open to him. A variety of technical assignments will give him skills and knowledge that will enable him to assume broad responsibilities in strictly actuarial fields or that will prove invaluable in so-called nonactuarial fields—administration, sales, accounting—in a life insurance company. Or he may choose a career as an independent actuary. How can we give a simple "profile" of an actuary when there are so many phases of work that an actuary is equipped to handle?

Mr. Porter in 1853 was extremely far-sighted in visualizing many areas in which an actuary's talents might be helpful. These areas have expanded, if anything, with the growth of insurance on this continent and the growth of social insurance in all countries.

I cannot do better in closing this presentation than to quote at some length from President McConney's address of ten years ago:

The new god—the Welfare State—naturally required a priesthood . . . the bureaucrat or red tape worm . . . and there has been an accelerating shift of power into the hands of government bureaucracy.

Human nature, however, especially British and American nature, is protesting and stubborn, and no control can ever endure permanently in the hands of any one person or class. When we get tired, therefore, of the present situation there is a program waiting to our hand. It is not, vociferously and vainly, to denounce the transfer of ultimate power from monarchy, to dictator, to aristocracy, to capitalist and finally to the bureaucracy. That transfer is on the road to becoming an accomplished fact and such transfers cannot be reversed. It is rather to return to the established theory that any power should be qualified, restrained and humanized for the sake of the individual for whom it exists.

Liberty in a framework of discipline is our ideal; it is not destruction of the framework that is needed but the definition of human freedom within it. It is a simple but fallacious thesis that the transfer of economic power to the state—that is, the bureaucracy—is in itself a panacea for all economic and social ills of society. The absurdity of such a belief is every day becoming clearer—not because untrammelled state control is intrinsically any worse than untrammelled capitalist or any other species of absolute rule, but because all absolutism is in its nature inefficient, tyrannical and inhuman. As Lord Acton says: "Absolute power corrupts absolutely." There can be no resurrection of the past or reversal of the present. The remedy is to invoke and apply in the name of individual freedom and conscience those constitutional checks and balances which have always provided an answer to the excesses of concentrated power.

And again looking to the future:

Shall we, as professional students of the probabilities of risks, ask ourselves a few questions on the future . . . many more will naturally come to your minds:

1. What would be the role of the actuary under complete socialism? Is not this a possible eventuality and should it not be looked at realistically and with a view to a helpful answer rather than in a reactionary spirit?
2. Where are we being led by our multiplicity of plans for security . . . ordinary, industrial, all sorts of group insurance, retirement plans of all kinds, unemployment and old-age social security, aid for children and others, compulsory accident and sickness benefits, etc.? . . . As actuaries, who have done much to establish on sound bases each individual plan, do we not have the responsibility of surveying the whole complex conglomeration, pointing out the conflicts and contrasts, and attempting to coordinate it?
3. Having made assumptions of interest rates in our premium calculations, should we not be vitally interested in the future of the principal and earnings of investments in a world of Keynesian theories and controlled economies?

It is our responsibility today to see that our Society fulfills its obligations to produce and train actuaries who fully understand their responsibilities—to their employers, their country, and themselves. I am sure we have the organization and the manpower to do it.