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EDITORIAL

SPEAKING AND LISTENING

W HEN it comes to speaking for their members, the Society and Academy are in quite different positions. Society utterances are subject to the limitations of Article X of our Constitution; the Academy can speak through its officers, Board and committee heads as its leaders see fit. Well aware that this freedom imposes responsibilities, the Academy has formed a "Listening Post" so that its members can get into the act.

This is one actuary's account of what happened when he put the Listening Post mechanism to the test.

"The occasion arose when I learned that an Academy Committee had expressed itself to the NAIC as supporting elimination of the Analysis of Increase in Reserves (Page 6) from the Life and Accident & Health Annual Statement Blank.

"I told the Listening Post that I consider it highly objectionable to eliminate Page 6, or even to relegate it to a separately filed document. I urged that, unless the Academy could show solid evidence that major harm is being done by uses to which Page 6 figures are being put, we strongly support retention in its present place of this essential reconciliation. I further asserted that one of the blots on our profession's escutcheon is that far too many actuaries have been negligent in preparing this exhibit.

"With admirable promptness came a reply from an Academy Vice President. To my astonishment he said that the Academy had surveyed a number of actuaries with financial reporting responsibilities, including the actuaries at many of the largest companies and at several smaller companies, and that *not one* (emphasis added) had indicated that he or anyone he knew had any use for the Analysis of Increase in Reserves.

"Evidently he sent copies of my letter to several others, with the result that support for my view began to surface. A few days later he told me that the Academy had changed its position."

This case strikes us as welcome evidence that the Listening Post system works. But it seems to warn that the Academy can easily be too quick to issue pronouncements that not enough members, even within its hierarchy, are aware of. It's clear that the Academy Board members fully recognize this danger; as announced in the Academy's January 1981 Newsletter, they have put to work a Task Force on Guidelines for Making Public Statements and have invited their members to assist that body's thinking.

In the light of the following appraisal by our colleague in insurance regulation, John O. Montgomery, what actuary can treat Page 6 as trivial?

The basic purpose of this analysis is to verify that reserves are being developed in an orderly manner and that the relationships among their components are relatively stable over a period of several years. Exceptional variations in such relationships for a credible volume of business should be questioned. E.J.M.

LETTERS

Attitudes Toward Deceptive Sales Practices Sir:

Professor Belth (April issue) raises interesting questions. Our Opinions as to Professional Conduct relate mostly to the actuary himself, not to his non-actuarial colleagues. Even those that apply to his colleagues as well, such as the one on advertising, seem aimed more at consulting than at insurance company actuaries.

If any of my co-workers in my consulting firm, be they actuaries or not, engage in activities that would be unethical for me, and if knowing about this I do nothing, I must consider that I have condoned and approved those actions. I feel even more strongly about this if the erring colleague isn't an actuary; we as a profession can discipline an actuary but not anybody elsc.

What action the actuary should take is an even thornier problem. Actuaries have resigned when unable to correct practices they considered unethical. Unfortunately, not many have either the security or the moral courage to take so drastic a step. Maybe they would if they knew the profession would support them. J. Bruce MacDonald

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Sir:

All human beings are required by basic moral imperatives to act to eradicate an abuse that they discover. But since most of us are sadly lacking in courage, basic moral imperatives are often ignored, a condition we should try to improve.

Actuaries know more about arithmetic than the average person, but our bravery quotient is no better (or no worse). That actuaries are "professionals" is irrelevant; that is a self-serving concept built on wrongful imposition of a higher morality upon a highly-skilled group than upon others. Ego recognition cannot be purchased by shouldering high moral commitment.

The problem with deceptive sales practices (one example of immoral abuse) is that perfectly honest folks often disagree on whether a sales practice is deceptive or not. For instance, I've found that Prof. Belth and I differ