

Faculty 150

1856-2006
Faculty of Actuaries. Celebrating 150 years.

CELEBRATING 150 YEARS OF THE FACULTY OF ACTUARIES IN SCOTLAND

It is very fitting that, to mark the occasion of the sesquicentenary (150th Anniversary) of the founding of the Faculty of Actuaries, this part of Volume 12 of the *British Actuarial Journal* (BAJ) has been devoted to the research and papers which were specially commissioned by the Faculty as part of its 150th Anniversary celebrations.

What we now call actuarial science has a proud history in Scotland, dating back to the 18th century. In 1742, the first pension fund founded on scientific lines was set up to provide benefits to the widows and children of ministers in the Church of Scotland. The setting up of this pension scheme on sound financial principles was way ahead of its time. The mathematics which underpinned the establishment of this pension scheme soon became the established and standard basis for pension funds and life assurance companies through the United Kingdom.

During the early part of the 19th century a thriving life insurance industry grew up in Scotland — one which has remained very proud of its national antecedents. The Scottish Widows was founded in 1815, the Standard Life in 1825, the Scottish Amicable in 1826, the Scottish Provident in 1837, the Scottish Life in 1881 and the Scottish Mutual in 1883. The importance of life assurance to the Scottish economy cannot be overemphasised, for these life offices transacted business throughout the whole of the U.K., were major employers, and generated much wealth for Scotland.

However, it was not until 1856 that the Faculty of Actuaries in Scotland was founded.

1856 was a particularly memorable year, not just for the Faculty of Actuaries. The war in the Crimea ended and the Victoria Cross was established to acknowledge bravery. Life became much easier in offices, as blotting paper replaced sandboxes. Sigmund Freud and George Bernard Shaw were born that year, and the National Portrait Gallery was founded. Louis Pasteur discovered that fermentation was caused by micro-organisms. However, 1856 was not a good year for claret, and, sadly, Covent Garden Opera House was destroyed in a fire.

The story of the Actuarial Profession in Scotland, of course, started before the founding of the Faculty of Actuaries in 1856. Indeed, John Finlaison, the first President of the Institute of Actuaries, was born in Scotland, and, like many Scots, decided to leave the land of his birth and live and work in the South. Finlaison is recorded as early as 1828, a good 20 years before the Institute of Actuaries was founded, discussing the need for a professional body to ensure consistent professional standards and educational training for new recruits. He was very kind to the Scottish actuaries of the time by commenting, on occasion, that, had it not been for the many after dinner discussions which he had had in Edinburgh over good claret and port, the idea of an Institute of Actuaries may never have come to fruition.

By 1853, five years after the Institute of Actuaries was founded, the Scottish members numbered one third of the total membership and contributed significantly to the Council and the work of the Institute, despite being based 400 miles from London. Although the personal relationships between the Scottish members and their London counterparts were excellent, a number of irritations began to unfold. Proxy voting was not allowed at meetings, so that Scottish members had to travel to London if their vote at meetings was to be counted. The examination and admission of students was carried out in London, and not locally in Scotland. The Institute funds were not used for the promotion of the Actuarial Profession in Scotland. Although one third of the members were Scottish, this did not proportionately work through to office bearers and members of Council. Although most of these difficulties could have been resolved, the main stumbling block seemed to be difficulty with communication, given the distance which London and Edinburgh are apart.

In 1856 travel between Edinburgh and Glasgow to London was not easy. The Caledonian Railway Company ran trains down the west coast from Glasgow to Euston. The 'express' train, which left Glasgow Central at 9.00am arrived at Euston at 9.00pm. There were no facilities on the train. It made stops at Beattock, Carlisle, Birmingham, Rugby and Wolverton for refreshments. The North British Railway Company was the competition which travelled down the east coast from Edinburgh to Kings Cross. The train left Edinburgh Waverley at 9.50am and arrived at Kings Cross at 9.30pm. It made stops for refreshments at Berwick, Newcastle, York, Doncaster and Peterborough. Although it covered the distance to London 20 minutes faster than its west coast competitor, it still took over 11½ hours. The return journeys were no faster. There was no heating system for the railway carriages in those days and sleeping cars had not been invented. A meeting in London for the Scottish actuaries, therefore, took three days (two days of travel) out of their week. The cost, too, was not cheap; it would have been equivalent to a year's salary of the new actuarial trainee.

Compare this with rail travel today, when Virgin trains in their new 'Pendolinos' whisk you from Glasgow Central to Euston in a mere four hours and 40 minutes. The GNER operate their trains from Edinburgh Waverley to Kings Cross in four hours and 20 minutes. These trains operate in air conditioned luxury with full dining and buffet facilities. Once engineering on the west coast main line has been completed, the travel time is expected to be around four hours from Glasgow to London. The airlines had better watch out.

If this mode of travel had been available in 1856, then the geographical difficulty might have fallen away, and the great minds of the day could have concentrated on resolving some of the other minor difficulties which resulted in the secession of the Scottish actuaries from the Institute.

On 4 January 1856 a meeting was convened at 45 George Street, Edinburgh, at which the Faculty of Actuaries in Scotland was constituted. The prospectus of the Faculty presented to the meeting read as follows:

"It is proposed to form an Association under the title of 'The Faculty of Actuaries in Scotland' with the view of uniting the members of the Profession there resident and promoting the acquisition of those professional attainments which are essential to the efficient performance of the duties of an actuary".

The prospectus was signed by 38 actuaries, who became the original members of the Faculty. The Faculty was constituted. The formal 'Constitution and Laws' of the Faculty were then drawn up and adopted at a general meeting of the Faculty, also held at 45 George Street, Edinburgh, on 20 March 1856. The rates of subscription were fixed and the Council members were appointed for the following year. This is not greatly dissimilar to what happens today at the Faculty's Ordinary General Meeting each year. The premises at 45 George Street were leased by the Faculty at an annual rental of £15. This was to be the first home of the Faculty. It was after some 75 years that, in 1931, the Faculty moved to 23 St Andrew Square, where it resided until 1994. After two temporary locations, the Faculty took up permanent residence at Maclaurin House, 18 Dublin Street, Edinburgh.

As early as 9 January 1857 the Council of the Faculty discussed the idea of applying for a Royal Charter. They had to overcome a number of obstacles, including objections from the Board of Trade. However, after great perseverance and never losing any enthusiasm, the Faculty of Actuaries in Scotland was granted a Royal Charter of Incorporation by Queen Victoria in 1868. The Faculty was the first actuarial organisation to be granted a Royal Charter.

The Faculty of Actuaries therefore resulted from the growing demand for trained professionals from the life insurance industry. The key values of the Profession, such as integrity, intellectual rigour and the concern to act in the

interests of the public are just as relevant today as they were 150 years ago. The demand for actuaries in the pensions industry, in both life and general insurers and in the investment and the risk management areas is reflected in the growth of the Faculty since its beginnings. In 1856 it had only 38 Fellows; today the Faculty has a membership of over 2,300.

Scots, renowned as emigrants, have made their presence felt in many parts of the world, in particular in the countries of the Commonwealth and in the United States of America. It is not surprising that many Fellows of the Faculty of Actuaries emigrated, and were involved in the development of the actuarial profession in their new homelands. Scottish actuaries can be found today in almost all corners of the world, and are playing a leading role in the development and running of the actuarial profession in these overseas countries. Significant numbers of Scottish actuaries are in Ireland, Canada, the U.S.A., Australia, New Zealand, South Africa, India, Hong Kong, Singapore and many countries in Europe.

This international dimension is reflected in the programme of events to mark the 150th Anniversary of the Faculty of Actuaries in Scotland. Actuaries from all over the world are coming to Scotland for a number of keynote conferences and seminars — something about which I am sure that the Scottish Tourist Board is delighted. I am delighted that Jean-Louis Massé, President of the International Actuarial Association, has written a special piece for this edition of the BAJ.

The Faculty has a history of encouraging research and assisting in its publication. Enormous strides in financial mathematics have taken place over the past few years. The Profession ensures, through its continuing Professional Development training, that actuaries are equipped with the best and most appropriate techniques to tackle the many — and varying — issues which arise in all areas of finance. This puts a major responsibility on the Profession and its educational system. This system is constantly being refined and improved.

The recent past has seen many changes for actuaries, including a number of storms and criticisms of the Profession. These have included the Equitable Life saga; the so-called ‘pensions crisis’; and the Government-inspired Morris Review of the Actuarial Profession. The setting of actuarial standards is now carried out by an independent Board for Actuarial Standards reporting to the Financial Reporting Council — a change which the Faculty welcomes, because it moves forward a number of the initiatives for change which the Profession had already identified before the Morris Review was set up, and which the Faculty would have implemented anyway.

Proud though we are of our strong professional heritage, Scottish actuaries are well aware that what counts in the minds of the ordinary user of actuarial services is not our history, but our competence and reliability. With most aspects of personal finance becoming increasingly complex, individuals should be reassured to know that many of the key decisions

which affect their financial futures will continue to be made by members of the Faculty of Actuaries.

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