

ADDRESS

BY THE PRESIDENT OF THE INSTITUTE OF ACTUARIES

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FOR GOODNESS SAKE

ABSTRACT

The Presidential Address argues that, by acting in the public interest, the power of actuaries to benefit individuals financially can become a competitive advantage for the profession. This theme is explored by reference to professionalism being under threat, the negative impact of professional negligence claims, the need for unity in the profession, nationally and internationally, and the consequences for our education. The future of the profession will be brighter, and can be expansionist, if actuaries are recognised and valued for serving the public interest in the wider fields, but this will require effective public relations.

KEYWORDS

Actuarial Profession; Public Interest; Professionalism; Negligence; Unity; International; Education; Future of the Profession; Public Relations; Wider Fields

The good of the people is the chief law

Marcus Cicero

One of my pet hates is professional advice of the “on the one hand, on the other hand” variety. By contrast I love it when an actuary says “these are the issues and here are the results of my analysis”, and then gives clear and unambiguous advice on what to do next. I am proud to be an actuary when that advice is ethical and professional and is seen to take full account of the interests of the stakeholders who will be affected by the implementation of that advice. After all, as actuaries we are uniquely blessed with the core technical competencies and the specialist knowledge to find the best solutions to the hardest problems which arise in our particular spheres of influence. Add our reputation for protecting the interests of pensioners and policyholders and you have then set the professional standard to which we must always aspire.

That standard for the individual actuary will be reinforced by what we do, and what we say, as a profession. It therefore behoves the Faculty and Institute to make statements and to comment on all matters of interest to the wider public which lie within the purview of the profession, especially whenever actuaries are the recognised authority on the subject. That is not an easy task, for as a profession we are still reluctant publicists. Moreover, it is hard and sometimes impossible to reach a consensus on complex issues. However, one of the six objects of the Institute in its Royal Charter is “to promote the status of the

actuarial profession and of those who are engaged in it”, so let us not forget Francis Bacon when he said: “Silence is the virtue of fools”.

The theme of my Address is not a new one. The words begin the first Object of the Institute in our Royal Charter; they will shortly appear in our Mission Statement; they are prominent in the governing charters and codes of most professional bodies in this country; and they appear in the first article of the codes of conduct of the Society of Actuaries in America, the Institute of Actuaries in Japan, the Groupe Consultatif of European Union actuarial associations and many other national and international actuarial bodies. Their challenge was laid down in Chris Daykin’s Presidential Address. I make no apology for this repetition, for the theme is relevant, topical, and is writ large on the route for the profession that I want to lay before you this evening. My theme, as you will have deduced, is that we should be seen to serve ‘in the public interest’. Our goal must be to ensure we do it, we are recognised for it and we are valued for it. My proposition is that there is real competitive advantage in being recognised as the profession which never passively permits clients and employers to swamp the interests of the defenceless individuals over whom they hold sway.

For the most part actuaries advise institutions rather than individuals. What those institutions do with that advice affects all the individual policyholders, pensioners, members and employees whose policies and retirement provision is covered by those institutions. I believe that we need to strengthen and reinforce the public perception that actuaries and the actuarial profession will always exercise their influence in a way which gives full and fair attention to the interests of those individuals. Some of you will find this controversial, believing the duty to one’s client or employer — he who pays the piper — takes precedence over the professional responsibility I have just described. Happily, in most cases there will be no conflict. The 1990s are the decade of quality and customer focus, and clients can easily be persuaded that it is in their long-term interests to deal, and be seen to deal, fairly with their customers. In other cases it will be more difficult. It is my contention that in all cases the actuary is expected to have considered and expressed the public interest view, and on occasions will have to maintain it forcefully.

I can illustrate this with the story of an insurance company proprietor who said to me recently that he had reservations about making X his Appointed Actuary, “because he is so clever he can always come up with the answer I want”. Hoorah for that proprietor’s expectation of us, and rejection of the sycophant. His expectation of an actuary is the standard to which X should aspire, the standard which the vast majority of Appointed Actuaries live up to, and which Scheme Actuaries will shortly have to as well.

My decision to be provocative distinguishes this Address from the one given a century ago. In 1896 T. E. Young, seeking to assign a reasonable range to the limits of a Presidential Address, said “The introduction of questions involving a distinctly controversial character should wisely be avoided”. There will be other occasions to debate my views, I am sure.

You will not be surprised that, in preparation for this evening, I have followed precedent by delving into prior Addresses. Twenty years ago, when researching actuarial literature on insolvent life offices for a Students' Society paper, I derived much instruction and great pleasure from our old *Journals* of the 1870s. Reading T. E. Young, however, was hard work. His 1896 Address was the second of a trilogy conceived under the universal generalisations of the Doctrine of Evolution and applied to "a subject so rich in scientific analogies and philosophic relations as our professional work". In the first part of his trilogy he had addressed the varied aspects of the commercial business of Assurance in the revealing light of this Doctrine of Evolution. His 1896 Address entitled 'The Nature and History of Actuarial Works as exemplifying the Mode of Development and the Methods of Science' was a veritable *tour de force* linking the world of science to our profession through, *inter alia*, the *Experimenta Lucifera* and *Fructifera* of Bacon. His Valedictory Address a year later, on 'The Origin and Development of Scientific and Professional Societies, with their bearing upon the Institute of Actuaries and its associated Profession', drew the signal distinction between a Science and a Profession, with the correlative demarcation existing between a Scientific Society and a Professional Body. I too draw that distinction when I emphasise the need for professionalism.

Before leaving T. E. Young, you may be interested that an Appendix to his 1897 Address gives the definitive research into the title of Actuary, starting with his consultation of C. Suetonius Tranquillus in *De Vita Caesarum*: "*Pro Quinto Metello (id est, oratio) non immerito Augustus existimat magis ab actuaris exceptam male subsequentibus verba dicentis quam ab ipso editam*". Sensing no call for an instantaneous translation, I merely add that the Actuaris or Actarius compiled the *Acta*, the Senatorial decisions and other official and civic information which Julius Caesar decreed should be exhibited for the guidance of the people. Wouldn't it be nice if the Actuary was Caesar's right hand man today.

More recently, and since the birth of the Institute, most actuaries have first been mathematicians, able to appreciate, as Bertrand Russell wrote in *The Study of Mathematics*, that "Mathematics possesses not only truth but supreme beauty — a beauty cold and austere, like that of sculpture". But, as A. H. Bailey said in his Address, "An actuary must be a mathematician, but a mere mathematician will be a very incompetent actuary". The addition of both specialist knowledge and professionalism has always been essential to being an actuary. A. H. Bailey was the first President to deliver an Address, in 1880. He, like T. E. Young, must have enjoyed it so much that he gave a second a year later. Thomas Sprague gave four during his four-year presidency from 1882 to 1886. Since Sprague the Presidential term has always been two years, and you may be reassured to hear that, should I be re-elected next year, I shall have no intention of reverting to the erstwhile practice of an annual Presidential Address.

The conclusion of this biennial trawl through the annals, which I trust is not entirely self-indulgence, was that I found my ideas most closely aligned to those of Geoffrey Heywood, a mere quarter of a century ago. That is perhaps not sur-

prising. He led the Institute to its 125th anniversary, while simultaneously being senior partner of a large consulting practice, and he gave a high priority to our Public Relations. My Presidency is scheduled to approach our 150th anniversary, I hope to lead the partnership to which I belong to its 75th anniversary six months later, and I share Geoffrey's passionate belief in the importance of effective Public Relations. Geoffrey Heywood was only the second consultant to be President, after John Gunlake, on whose Presidential Address our Memorandum and Advice on Professional Conduct was based. John Martin was the third, and I thus become the fourth out of a total of sixty-four Presidents. I suspect that the frequency may now increase, since over half of Council and the vast majority of candidates for Council elections in recent years are consultants. We should, perhaps, reflect on whether the balance has swung too far, but I do not propose to do so this evening.

The seven topics on which I would now like to develop my theme of serving the public interest are Professionalism, Professional Negligence, Unity within the Profession, the International Dimension, Professional Education, the Future of the Profession, and Public Relations.

PROFESSIONALISM

He that would govern others, first should be the master of himself

Philip Massinger

From several definitions of a professional body I have distilled the following:

- (a) its primary object is to serve the public and the public interest;
- (b) it supports its members individually and enhances their status collectively;
- (c) it is a learned society which encourages research and facilitates the exchange of ideas between its members;
- (d) its members have a specialist skill;
- (e) it awards a qualification, frequently with designatory letters, to members who attain the requisite standard in its examination of their ability to practise its specialist skills;
- (f) it provides the means for, and may require, members to maintain their skill by continuing professional development (CPD);
- (g) it establishes codes of conduct and standards of practice within which members are required to operate; and
- (h) it has a disciplinary procedure to ensure members comply with its codes of conduct and uphold its professional standards.

If that is what a professional body is, how should an individual member behave professionally? Although the code of conduct provides a framework, individual behaviour will essentially be a question of personal and business ethics, a subject which is discussed by all new Fellows at our professionalism courses, but rarely, if ever, at our sessional meetings or conventions. I would like to see that rectified, both at a sessional meeting and at our life, general, investment and pensions conventions. While I am not for a moment suggesting that standards are

slipping, I do think that ethical considerations should be as much a part of CPD as technical questions. As attenders of professionalism courses will remember, and those who attend the new courses for the mature actuary will find out, there are always one or two topical questions which stimulate a good debate, make you stop and think, and may influence the way that we react collectively as well as individually. I wonder, for example, whether such debates would have helped us to pick up earlier than we did the dual problems of low transfer values and personal pension mis-selling.

Self-analysis, and open discussion of it, is more part of the national psyche in America than it is here, so it is perhaps not surprising that Business Ethics is a regular topic at Society of Actuaries' meetings. In October 1994 several forum and panel discussions addressed the issue. I was most struck by Michael Rion's talk based on his book *The Responsible Manager* (Harper & Row, 1990). He proposes a six-question guideline for ethical decision-making:

- (a) Why is this bothering me? Is it really an issue? Am I genuinely perplexed, or am I afraid to do what I know is right?
- (b) Who else matters? Who are the stakeholders who may be affected by my decisions?
- (c) Is it my problem? Have I caused the problem or has someone else? How far should I go in resolving the issue?
- (d) What is the ethical concern — legal obligation, fairness, promise keeping, honesty, doing good, avoiding harm? The list is not long nor complicated.
- (e) What do others think? Can I learn from those who disagree with my judgement?
- (f) Am I being true to myself? What kind of person or company would do what I am contemplating? Could I share my decision 'in good conscience' with my family, with colleagues and with public officials?

The starting point in Michael Rion's terms is to be bothered, perhaps to spot that some defenceless stakeholder or group of stakeholders would be so unfairly treated by a proposed course of action that it cannot go unchallenged.

The middle stage is to form a personal view, to draw a line between right and wrong. We all know how difficult it is sometimes to draw that line. The distinction between a business decision you disagree with and one you cannot in all conscience live with can be a tough call in an unforgiving competitive commercial world. Analysis and fact take you a long way, but in the end it usually boils down to personal, and in our case professional, judgement.

The final stage is to test that personal judgement against the views of others and against one's own conscience. It is in the testing stage that a profession can be of most value to an individual member of that profession. Help is at hand in written guidance, from discussion with colleagues, and from discussion with other members of the profession.

The judgemental questions of what is right and what is wrong presuppose integrity and personal conscience. With very odd exceptions, which any pro-

profession's disciplinary procedures are intended to deal with, privileged members of a learned profession such as ours must be assumed to act with integrity. I do not want you to think that I am questioning the widespread existence of such integrity, for I am not. Encouragingly, it is always strongly in evidence amongst younger members at our professionalism courses. But we all hear from time to time of those who bemoan declining business and professional standards. Sometimes these accusations come close to home. When I was drafting this Address a couple of months ago Joe Rogaly wrote, in the *Financial Times*, that he found laughable the notion of ethics in the financial services sector. It should have been second nature for him to add "with the notable exception of actuaries". It is our fault that it was not. I suggest to you that it would be timely for us to indulge in a little ethical self-examination, perhaps at a sessional meeting, before burnishing our image and then seeking to enhance our reputation as the ethical guardians of the public interest in those matters which fall squarely within our purview, and most notably in pensions and insurance.

We should discuss, debate, and then produce a position statement setting out why we are the only profession able to manage the apparent conflict between being client-focussed and ensuring the public good is always uppermost.

If by rational argument we can persuade society of this fact, we will then automatically be perceived to be more valuable than other professions which occasionally threaten our preserves.

Here are four examples, to start the debate, of how this position might be established by powerful communications:

- (a) Demonstrate that ethical business practice is good business. You need only watch any Chief Executive moving from tough, rugged entrepreneur to warm, charming, social carer at the first whiff of bad news appearing in the media to realise that all companies and institutions are sensitive to the public interest.
- (b) Demonstrate the value of the long-term view that only actuaries can provide. British business is notoriously short term. However, the most successful businesses have always been those that have succeeded in making sense of the future, to use Roger Corley's description of what we do.
- (c) Coincide the interest of companies and their employees. Actuaries can help employers to view the remuneration of a more mobile, more 'self-employed' mentality of employee, not as a cost, but as a flexible business tool for acquiring and retaining the right employees.
- (d) Lead the campaign to re-introduce ethics in the financial sector. This brings me back to Joe Rogaly's article which I referred to just now.

To claim a specialist and arcane knowledge that we exercise in glorious isolation, without reference to its value to society, and expect to be respected and highly valued for it, is a thing of the past. We must find a more relevant positioning for ourselves and be prepared to communicate it effectively.

We would not be breaking new ground. Ronald Abbott is one of only four

of my predecessors as Senior Partner of my firm. He earned a Finlaison Medal for what he did to enhance our reputation. In Ronald's citation Roger Corley said that he has "always seen it as essential that the public has the best possible understanding of the value of well organised pension schemes and his self-imposed promotional duties have hardly been less demanding than his professional ones." In his acceptance speech Ronald said "It seems to me that a professional man carries two distinct burdens. One is the burden of responsibility for the quality of work he does and the other is the burden of conscience for the way he does it, in other words for his professional conduct".

Another of my predecessors was (the other) Francis Bacon. He would have been ninety this year and particularly wanted to be here this evening, but sadly he died in June. He started writing radical left-wing tracts under the *nom de plume* of Frank Verulam, but by 1954 he was writing for the Faculty and Institute on the subject of the Growth of Pension Rights and their impact on the National Economy. "It should never be overlooked that the object in setting up every pension scheme is to ensure that a group of people shall have sufficient claims on the national product to enable them to live in reasonable comfort when they are getting past work". A few years later he was campaigning for 'preservation' as opposed to 'transferability' of pension rights.

Sidney Benjamin regarded the actuary as the key professional in insurance. In a discussion on professional conduct in 1980 he stated "I think that it is in the public interest that there should be an actuary's certificate for insurance companies. Actuaries understand insurance companies better than accountants do, and are better fitted to report on their financial condition". It was important to him to be more than an expert, and I think this was illustrated by this longer extract from an earlier discussion: "I would like to turn to the current discussion about whether actuaries have a greater claim to certify solvency of general insurance business than statisticians in general. Quite apart from gaining expertise over the past 200 years in reporting on the solvency of insurance companies in a commercial market (and in some quarters there is confusion between controlling and reporting on solvency and being familiar with the latest computer programmes on multivariate analysis), the major part of our claim rests on professional reasons. Actuaries are a profession, and we are used to acknowledging publicly that we work according to a code of conduct. We have a recognised body to refer to if in doubt, and we are in duty bound to refuse a job of which we do not feel capable. The President regularly informs new Fellows of that point. Furthermore, an actuary can call in confidence on any other actuary to help. If he felt that the client (in this case the insurance company) was putting unreasonable pressure on him he could appeal to the Institute and, more important than that, he could warn the client that he was abiding by a professional code which had the backing of the Institute. Actuaries are required by their code of conduct to act in the public interest, and have, as a profession, devoted a great deal of time and energy to interpreting that difficult and changing requirement fairly".

This was a constant theme, and one that Sidney returned to in what was his final contribution to an Institute discussion, that on 'Strategy for the 1990s', when he concluded regarding the profession's mission statement "The statement tends to emphasise that we give advice to corporations. I do not think that we should ignore the individual, and this brings us to a moral issue. We should emphasise in any advertisement we make to the outside world that, although we spend much of our time giving advice to institutions, a great deal of that advice is given as guardian of the individual's interest".

I have mentioned these examples because every one of us is indebted to our particular inheritance, and, although my firm has for some years had more members of the Institute than any other employer, as the first to serve as President I wish to acknowledge that heritage. However Ronald, Francis and Sidney are but three examples of many. They suggest to me that we have held, but may have slipped a little from, the high moral ground. I think the profession should now reclaim the high moral ground and aim to be recognised for it. In my view, serving the public interest is the way back up.

Whatever is done collectively in the name of the profession depends upon the behaviour of individual members. That in turn will, as I have said, be a reflection of that individual's integrity. As individuals our integrity came and comes from our families, various mentors in school, university or business life, and groups to which we belong, whether church, social or business. Michael Rion calls those relationships 'communities of conscience', small groups of people who support one's values and identity. The actuarial profession has provided such communities of conscience for all of us here this evening, and will continue to do so. In addition, it helps for the profession at large to be specific about the standards expected of its members, both to reinforce what the public has a right to expect from actuaries and to help an individual actuary who finds herself or himself in a bothering situation. This it does in its Memorandum and Advice on Professional Conduct, which has recently been revised and issued as an exposure draft. The burgeoning series of Guidance Notes fulfils a slightly different function and, as an aside, can I say that I am firmly in Howard Webb's camp in believing that we must strive to keep the volume of Guidance Notes as slim as we possibly can. If the fight against the cancer of prescriptive regulation is a rearguard action, it is still a fight worth disputing every inch of ground for.

In 1960 John Gunlake said: "It is not the duty of Council to draw up a detailed comprehensive set of rules, for man cannot be made good by law alone; where there is no free will there can be no worthwhile morality."

I remember with more feeling than most the introduction of the first Guidance Note GN1 some twenty years ago. I had been the Appointed Actuary of Nation Life when it went into liquidation in 1974. I was a young Appointed Actuary then, although I did not claim inexperience, having learnt my trade at Sidney Benjamin's knee and been the equivalent of an Appointed Actuary for some years, starting even before I qualified. Nation Life was the first major

crisis in my professional life, and I have often wondered what more I and the other actuaries on the Board should have done to prevent it happening. To believe one acts with integrity is small comfort when policyholders suffer. GN1 was, and remains, an effective way of bringing the lessons of the 1973-74 Stock Market, property and secondary banking crashes, and the many companies which became insolvent as a result, to the attention of Appointed Actuaries and others. However, if the authors of GN1 had known that twenty years on we would be up to GN29 and counting, I suspect that they would have favoured an alternative nomenclature to the start of a geometric series, such as Geometric Nightmare.

I mention Nation Life and reopen those old wounds because I shall never forget the support I received from the profession at that time. It came from a high level: the Government Actuary; some senior actuaries in the ABI; and above all the representatives of the Professional Guidance Committee deputed to investigate. Actuaries of an older generation, saying that they were not sitting in judgement as my superiors, but wanting to understand and advise as my peers, were both sympathetic and constructively helpful. None was more so than Mike O'Brien, who later as President took the unusual step of chairing a Students' Society meeting at which the paper I wrote on some of the lessons to be learnt from that episode was discussed. I want every member to know that if he or she should ever get into a spot of bother the Institute is there to help. What a wonderful example of 'every man is a debtor to his profession' that incident was. I have been trying to repay that debt ever since.

Lest those remarks be misunderstood as implying that we will always favour our own, let me go on to say that there have been occasions, and there will be more, when such help is going to be of the "this caning is going to hurt me more than it's going to hurt you" variety. Exercising discipline is, as I have said, an essential element of being a profession. However, the majority of problems that members will encounter fall into the "there, but for the grace of God, go I" category rather than situations where the consensus view is that the case in question involves unprofessional conduct. Even in the latter category it is essential, in my view, that the cases of those who transgress our high standards are handled sensitively and sympathetically, as well as firmly and speedily.

If you agree with me that an essential feature of a professional body is the support it provides for its members, individually and collectively, we must then address the perceived conflict between being simultaneously both a body which promotes the status of its members and a regulatory body. Hitherto this has not been a concern for the actuarial profession, and I personally believe that we can, and should continue to, perform both functions. After all actuaries are perhaps as good and as experienced as any professional in handling conflicts. The Appointed Actuary who frequently wears several hats is the best example. However, other professions are finding this hard to accommodate. The Accounting Standards Board is independent of the Institute of Chartered Accountants in England and Wales, and the Joint Ethics Committee of the

accountancy bodies is a separate entity. The General Medical Council is independent of the British Medical Association. Turmoil in the Law Society hierarchy had led to the formation of a Solicitors' Association which is campaigning to split the trade association and regulatory functions of the Law Society. I detect no such conflict for the Institute at present, but we must be wary lest a failure to be seen to regulate our members effectively should mar the image and reputation of the profession that I am suggesting that we need to enhance.

This is important at a time when we probably want to do more for our members. The future of the profession debate seems to be following the recommendation of the authors of the report in favouring a combination of 'soft encroachment' and 'relaxed self-confident permeation', but many members I have spoken to favour a tougher approach, particularly in relation to the frontier with accountants. Our colleagues in Australia seem to be in no doubt that a more robust stance is necessary.

The first Presidential Address by A. H. Bailey in 1880 regretted the fact that the Institute could do so little for its younger members at a time when small insurance companies were going out of business at quite a rate. He remarked that "A branch managership of a leviathan company is not a good school for an actuary; but in former times an excellent training was to be found in a chief appointment to a small society at a modest salary". He went on: "It is, however, vain to quarrel with the inevitable. The Institute cannot improve the prospects of its younger members; but it can do, and I think it has done, much to help them to acquire a knowledge of the principles of their profession, and, notwithstanding some disappointments, it hopes — not immediately, but still at no distant period — to be able to publish a text-book for their use." These days we aspire to do more, much more, and the burgeoning Wider Fields initiatives are but one part of those efforts to expand the boundaries of accepted actuarial work. One of the priorities of John Martin's Presidency was to help unemployed actuaries, hitherto a virtual contradiction in terms.

As I have said, I believe we should continue to perform the functions of a body which both promotes and regulates its members, but we must be alive to potential public concern at this apparent conflict and, by being good at both and beyond reproach in the regulatory and disciplinary role, be ready to anticipate and address that concern. We may even have to emulate Willie John McBride and get our retaliation in first. However, my proposition tonight is that we can do more, much more, for the future of the profession by adopting the expansionist approach of pointing out to the world that actuaries are the profession which has prime responsibility for ensuring that the financial interests of millions of people are looked after fairly, effectively and for the long term.

Perhaps I may conclude these remarks on professionalism and what it means to be a professional body by reaffirming that the Institute has a proud tradition of exemplifying what a profession does and should stand for. However, we cannot live on tradition. Professions are sometimes criticised for being self-serving rather than public interest-serving. We must be seen to put the public

interest first. We must ensure that such criticism of our profession is not justified. We must distinguish ourselves, so that we are not unfairly tainted by criticism of other professions. We must not forget the words of Goethe, that both John Gunlake and Hugh Scurfield have already quoted in their Addresses: "What you have inherited from your fathers, earn over again for yourselves or it will not be yours".

PROFESSIONAL NEGLIGENCE

To lose one parent, Mr Worthing, may be regarded as a misfortune; to lose both looks like carelessness.

Oscar Wilde

It has rarely, if ever, been necessary to refer to professional negligence in previous Presidential Addresses. However, after spending much of my time for the last four years defending a rather large claim, I have given the matter some thought, and would like to share my reflections on the subject with you this evening.

The big issues for this profession are whether negligence litigation is set to become a significant factor in an actuary's professional life, as it undoubtedly is for some other professions, most notably the accountants and the surveyors, and whether steps can be taken to ensure it does not. It will be best, I suggest, to heed Lady Bracknell, learn from misfortune, and avoid carelessness.

I am assuming that we do not wish to welcome negligence litigation as a source of professional fees. Such fees can be colossal, and totalled some £30 million in the case to which I referred. Some might cynically argue that such costs are ultimately borne by the professional's clients and employers, so why not join the feeding frenzy. However, it is a game of russian roulette, no other profession except some American lawyers take this line overtly, and I strongly recommend that we reject it wholeheartedly.

In an attempt to be dispassionate and analytical, I started by looking for some data. Not surprisingly the United States of America was the first port of call. As far as I can establish there are about twenty current cases pending which involve claims of professional negligence against actuaries, and this is two and a half times the number five years ago. Outside the U.S.A. I am aware of cases in Canada, Australia, Spain and the Netherlands, as well as the U.K. The total number of cases is therefore still fairly small, certainly compared with perhaps two hundred cases being dealt with by one of the big six accountants in this country at any point in time. However, it is the increasing trend as well as the severity of some individual claims which are the disturbing features. Furthermore, the evidence is that in both numbers and severity the non-U.S. claims are higher, in relation to the gross income of firms of actuaries, than the U.S. claims. It is not, therefore, a question of waiting for the U.S. disease to cross the Atlantic, it is already here.

The majority of claims against actuaries worldwide relate to pensions work. The largest number of claims concern defined contribution record keeping. They are usually for relatively small amounts of money, but measured against a standard of

perfection they are often hard to defend. By contrast the defined benefit claims are much larger and they concern life office actuaries as well as consultants. The risks are unlikely to decrease for Scheme Actuaries under the Pensions Act from next year, and this is therefore the area of most concern to most members.

The most serious negligence claims arise when a plaintiff has lost money. He then seeks to reclaim his losses from professionals who can be put in the firing line, because he perceives that such professionals have valuable insurance, but are in a weak position because of the effect a successful large claim would have upon them. The cost of defending claims can also be a significant lever for extracting a settlement payment from a professional who is convinced of his innocence. In this connection life office actuaries will be assumed to be indemnified by their employers, although sometimes that is a false assumption.

In the case of pension claims, the large losses which have been claimed relate to underfunding of the scheme, and have been based upon one or more of the following:

- (a) lost investment income;
- (b) a false sense of security which led employers and/or trustees to increase benefits; and
- (c) the shifting of liability from one generation to another.

Non-life insurance has correctly been considered to be even higher risk work than pensions, with proportionately fewer claims, but for larger amounts. It is salutary to note that in two recent cases the claims have been for the actuary being too conservative in his advice on reserving, thereby forcing the insurance company into unnecessary receivership. Being an over-cautious actuary may therefore be inadequate protection from the risk of having to defend one's advice in court.

Life assurance work has remained relatively safe, but the few claims that have arisen relate to corporate transactions, and the sums involved can therefore be substantial. So far there have hardly been any claims against actuaries relating to the asset rather than liability causes of the plaintiff's loss, in either insurance or pensions work, but there have been a handful of claims against actuaries relating to the provision of software.

For negligence to be proved, the plaintiff must demonstrate failure to exercise all reasonable professional care in carrying out work which the firm or individual warranted, by taking on the work, that they possessed the professional skill to perform. The standard of care is measured by reference to the quality of work reasonably to be expected from a professional firm or individual having such skill at the time. It is further measured by reference to the purpose for which the work or advice was required.

That is a stern test, but I think we should all agree that if an actuary is fairly adjudged to fail that test then the plaintiff deserves redress. If the interests of the plaintiff's policyholders or pensioners are at stake, *ipso facto* the moral argument for redress is even stronger.

The next question is whether there can, or should be, any limit to that redress. In the real world mistakes do happen. Therefore, in my view the amount should be determined by judicial decision, having regard to:

- (a) the plaintiff's loss;
- (b) the blameworthiness of the defendant;
- (c) the ability to pay; and
- (d) the need for punishment and deterrence.

Accountants have argued that limitation of liability should be available in three ways:

- (a) by capping the liability in contract;
- (b) by ending joint and several liability; and
- (c) by discontinuing unlimited liability partnerships.

Liability capping within the contract between the actuary and his client is increasing, and is already widely accepted with software contracts. The amount of the cap must be reasonable and must have regard to the Unfair Contract Terms Act.

It will not be easy to get the law on joint and several liability changed, and the Law Commission have put forward good arguments why it should not be changed, but the status quo is unsatisfactory for auditors. The position is not so unsatisfactory for actuaries. However, we would be pleased if the outcome of the auditors' pleading means that punishments fit crimes better than the current threats to individuals and businesses far removed from the cause of the plaintiff's loss, as at present.

I do not believe that the end of unlimited partnerships need be a major issue for our profession. To put it into historic perspective: few businesses are now unlimited; several professions such as stockbrokers, surveyors and architects are predominantly incorporated; Lloyd's now has corporate capital and permits Names to operate with limited liability; and within our own profession almost all firms of actuaries outside this country, and many U.K. firms, are already incorporated. However, much as one might mourn the passing of unlimited partnership and its association for the last few decades with the professions, it seems to me inevitable. Moreover, it is irrelevant to my arguments for enhancing the status of the actuarial professional, since we have never been a profession which operated exclusively, or even as a majority, under unlimited liability partnerships. The important issue will be to manage any changes in status which occur to ensure there is no perceived dilution of professional standards. Emphasising the continuation of unlimited liability for the professionals involved in the advice given may be the logical way to achieve this objective.

A far more important subject than protection from unlimited liability, for all except the individual professional involved, is prevention of a claim of negligence being made in the first place.

A succinct summary of how to protect yourself against negligence claims is

to be found in a short paper published by the Institute in 1974. Its authors were Michael Bizley and Ken Scholey, both of whom sadly died earlier this year, and their paper is still the basis of the relevant section of our Memorandum on Professional Conduct. Further lessons can be learned from the accountants and others who have had much more practice in defending negligence claims than actuaries. Most of it is common sense. It starts with knowing your client, and goes on with clarifying terms of reference, delivering quality advice, and generally tightening up behaviour as a result of awareness of the problem.

The objective is to continue to give high quality professional advice which is in the public interest, which is positive, and which does not have to resort to defensive practices which weaken the value of the work undertaken.

My ideal scenario is that actuaries should all be aware of the risks of negligence claims, as a result behave more professionally, and consequently not get sued. My concern is that the fear of litigation will result in practices which are cautious to the point that they diminish the quality of the advice that is given. If this happens it will certainly not be in the public interest.

I have already referred to the increasing trend of claims involving actuaries, but how serious is the problem? Leaving aside the catastrophe risk, the hard cost of negligence is the cost of insurance (and to my knowledge the practice of most firms has always been to buy as much insurance as the market will provide) and the cost of defending claims. It has been reported in the U.S.A. that such costs are 1.5% fees for actuaries, 4% for lawyers, 19.4% gross and 12% net of insurance for accountants and up to 20% for some medical specialists. Similar information is not available here, but I am sure that the cost to actuaries remains amongst the lowest in this country. There are additional costs, such as the considerable time which must be spent by those involved in the defence and the opportunity cost and distraction for many others. Even more hard to quantify would be the potential effect on clients and potential clients, employees and potential employees. However you measure them, the costs are big enough to be worth minimising by prevention rather than cure.

One way to reduce these costs takes me back to enhancing the reputation of actuaries. Is there a correlation between the public esteem of a profession and its negligence costs? Dr Finlay would never have been sued, let alone to the extent of 20% of fees. Is the work of accountants less highly valued than that of actuaries? Put another way, should we not ensure that our work is so highly valued, and is so evidently in the public interest, that there is no cause to sue us.

I suggest that the numbers of claims are still sufficiently low for it to be worthwhile pursuing that objective. The answers to the two issues I raised at the beginning of this section would then be that negligence litigation need not be a significant factor in our professional lives because we can do things to prevent it from becoming so.

Before leaving the question of professional negligence, I wish to say that it has been a second major reason for my feeling a debtor to this profession. The case to which I referred earlier and the threat it posed to my own firm, and potentially the

clients, employees and families of the partners of that firm, could be described as the second major crisis in my professional life. Since the interval was twenty years, I hope that, if a third one comes along, I shall by then be able to plead senility, but on this occasion, as on the earlier one, the support from the profession has been magnificent. It is perhaps exemplified in the decision to offer me the Presidency, and that support is much appreciated by colleagues in my firm.

A UNIFIED PROFESSION

Yes we must indeed all hang together or, most assuredly, we shall all hang separately

Benjamin Franklin

I have already referred to Thomas Sprague and his record four Presidential Addresses from 1882-86. By then he lived in Edinburgh and a century ago he was President of the Faculty. Few have achieved that dual distinction, and he may be the only one. None have done so simultaneously. Sprague was a brilliant man who was widely regarded as the greatest actuary of his day. He served on the Institute Council for 38 years and, on his retirement, the Faculty and Institute commissioned a marble bust of him, with replicas for our respective Halls. In his 1882 Address to this Institute he said:

“At the present time, I am pleased to be able to say that the most friendly relations exist between the Faculty of Actuaries and the Institute. There is nothing to prevent any actuary resident in Scotland from being a member of both bodies, and there are no less than thirty-six gentlemen who do belong to both; that is to say, nearly one-half of the members of the Faculty belong also to the Institute. The President of the Institute at the present time is not only a Fellow of the Faculty of Actuaries, but happens to be also President of the Actuarial Society [of Edinburgh]; and I may mention in passing that he has much felt the inconvenience of having to prepare two inaugural addresses. I believe that, if a public object of sufficient importance were to be gained, it would not be very difficult to arrange some basis of union between the Institute and the Faculty. Past experience would, no doubt, point out the rocks ahead, and enable the parties interested to avoid them.”

Thomas Sprague's aspirations of union with the Faculty were not immediately fulfilled. However, we are now closer than we have ever been since 1882, as a result of common interest aided by the very close personal working relationships established between pairs of Presidents for the last six years. I have every intention of this continuing between Paul Grace and myself. As you know, Paul currently represents the profession with the title Chairman of the Faculty and Institute of Actuaries deriving from his Chairmanship of the Faculty and Institute Management Committee and I am his Alternate Chairman for this session.

With common examinations, common Boards, common secretariat, and a unified management structure, unity in the profession is already now, in practice, a reality. It is my personal view that any final step towards total union must be a matter for the Faculty to decide. They know they are welcome, but any crowding by the Institute would be unhelpful, unnecessary and ultimately counter-productive.

Provided it never becomes essential to enhancing the status of the profession, and I cannot see that it need do so, that is the logic of the case. However, let me add that it is not just my birth, names and ancestry which make me say that we must, in any event, preserve and benefit from all that is best of the Scottish heritage. I have no doubt that the public interest is best served by a strong unified profession such as we have. Moreover, we are now structured as well as we have ever been to speak out strongly in the way I am suggesting that we should. The public is also traditionally fortunate that our members have long been influential in the two main trade associations active in the industries we serve, namely the National Association of Pension Funds and the Association of British Insurers. One could argue that the public might wish that we had as strong an influence on the General Insurance Council of the latter as we do on the Life Insurance Council, but that is not one of the subjects on which I choose to be provocative this evening.

THE INTERNATIONAL DIMENSION

Yes we must indeed all hang together or, most assuredly, we shall all hang separately

Benjamin Franklin

If the situation regarding unity of structure and purpose can be considered satisfactory for the time being in the U.K., how much more should we applaud the progress made internationally in recent years. We have always been an international profession, and our Fellowship has been an adequate passport for practising all over the world. I have benefited more than most from this facility, and forever encourage members, especially younger members, to travel and work abroad. It is great fun and will make your career more varied, challenging, and therefore rewarding.

The Faculty and Institute have always participated actively in the international profession. The International Actuarial Association celebrated its centenary in Brussels last year, and we shall host its next Congress in Birmingham in two years' time. However, the creation of the International Forum of Actuarial Associations promises to be even more important for the global interests of the profession. While the IAA fosters, through its International Congresses, the development and exchange of ideas, knowledge and research, the principal objective of the IFAA is "the promotion, across international boundaries, of high standards of professionalism and education within the world's actuarial associations". It also provides a more powerful international mouthpiece for the profession. We have already seen how necessary that can be in relation to the development of international accounting standards for pension provision. The IFAA has a voice in that debate which no other actuarial body could have had, just as the Groupe Consultatif influenced the development of the E.U. Life and Non-Life Directives in a way that the U.K. profession alone could not have done. Indeed, there are many similarities between the IFAA and the Groupe Consultatif, and I have little doubt that in the medium term their paths will overlap and ultimately converge.

Moves to harmonise educational standards will help the international career

aspirations and opportunities of actuaries. It will also help to resolve the mutual recognition of qualifications in the E.U., a particular hobby horse of mine.

I have no doubt that it is in the interests of the insurance, investment and pensions industries which actuaries serve that our profession should continue to be global in its thinking and to be active in fostering international cooperation and understanding in our spheres of influence. Similarly, I have no doubt that this is in the interests of our members, will make their professional life more interesting, and will enable them to do a better job. Global awareness and international influence are essential to serving the public interest if we are to keep providing the best solutions to the hardest problems for clients and employers whose business is invariably international or has international ramifications.

The Faculty and Institute already play a full part in both the IFAA and the Groupe Consultatif, commensurate with the seniority and size of the profession in this country. We have also, in recent years, made a significant contribution to the birth and formation of actuarial associations, and the education of actuaries, in an increasing number of countries, notably in China and in Eastern Europe. Here again we should pay tribute to Chris Daykin. All of these initiatives will continue and will have my active support. Indeed it could hardly be otherwise, given the international flavour which has run through my own actuarial career. One of the many pleasures of this office will be that of fostering the international profession, and I look forward to doing it.

PROFESSIONAL EDUCATION

Examinations are formidable even to the best prepared, for the greatest fool may ask more than the wisest man can answer

Charles Colton

I am not the first, and I shall not be the last, President who needs to refer to our education. I do so with some reticence succeeding Chris Daykin, one of our great education reformers. However, the perennial problem which concerns me greatly is that we attract, year after year, bright young people to the profession, from the cream of those with high statistical and mathematical abilities, and we still watch over half of that intake leave the profession without one of our qualifications. What is wrong? Is our selection procedure so bad? Why is it that so many of our ablest members have been unable to solve the problem over the years?

We know it is a complex problem. We know that tutors, examiners, employers and students all have a part to play in solving it. We are constantly making improvements, at the same time as keeping up with the evolving educational demands of an ever-changing professional environment for qualified actuaries. The dedication and devotion of all those involved is outstanding. Yet we still grant fellowship to only 40% of our intake, and it still takes an average of 6 years for that 40% to finish the race.

It is hard to pinpoint the blame. I believe that Council is right to continue to demand high standards, for high standards are essential if we are to maintain and enhance our reputation for serving the public interest; students are focussed and

hardworking; employers are supportive; tutors are skilled; the education service is more professional than it has ever been; and the examiners are dedicated, and in my experience have the hardest job of all, especially when they are mindful of my quotation from Colton. Throughout the system a massive amount of voluntary effort is applied diligently and honestly, and I want to record my appreciation of the debt we owe to all those who work so hard in this area.

However, if nobody is to blame what can be done to solve the problem? A. H. Bailey's view in 1880 was: "Believing as I do that British youth is now examined to distraction and that this mania has had an evil influence over places of education throughout the country, by tending to substitute for the acquisition of knowledge the power to pass an examination, I hope we shall keep clear of any such abuse".

I do not advocate turning the clock back to A. H. Bailey's day. We need examinations, but we also need, particularly in the later examinations, to work out an accommodation between those students who expect a formula which will ensure that hard work plus structured tuition will guarantee success, and the examiners who want to be satisfied that students can think laterally and demonstrate their ability to apply their structured knowledge to the solution of relevant problems. Neither the demonstration nor the testing is easy under examination conditions.

Fortunately, I believe that the new Education and CPD Strategy which has been put forward by the ECPD Board with the Chief Education Executive is a coherent further step in the right direction. What is more, it is a straightforward evolution from the current position and thereby endorses the improvements which have been made in recent years. The proposals have already been discussed by Councils, and there will be more consultation and discussion in the coming weeks.

A major advance is the introduction of intermediate qualifications rather than having the F.F.A. or F.I.A. as the sole criterion of success. The structure of the new system will be three-tiered. The foundation stage, covering our core technical competencies, will lead to the Diploma in Actuarial Techniques; the application stage will apply those competencies in the four most common areas of actuarial work, namely investment, life assurance, general insurance and pensions; and the final stage will require detailed knowledge of one particular practice area in the U.K., as well as other higher order skills, and will be the primary eligibility requirement for practising certificates.

It is proposed that the Fellowship would continue to be reserved for those who have completed all the examinations, but the system could, for example, accommodate intermediate qualifications such as Pensions Actuary, Life Actuary or General Insurance Actuary for those who have passed the final stage, but have missed out the application stage for subjects outwith their own specialist area of work. We could also introduce the title of Actuary for those who stop short of the final stage. These are amongst the items still for debate.

One advantage of this modular approach is that it would permit more of the examinations, but not the final stage, to be completed in full-time education by those who choose to do so. This would appeal to those employers who have been

cutting back on their graduate recruitment in recent years in the hope of finding more highly-qualified actuaries later.

Universities have risen to the challenge of this alternative entry path in Australia and in Canada, and would presumably do so here if students could be persuaded that the additional cost of full-time study was in their interests.

Last, but not least, an expansion of university actuarial education would help bring about another proposal which I wish to air this evening, that of increasing the supply of actuaries.

THE FUTURE OF THE PROFESSION

One of the great pains to human nature is the pain of a new idea

Walter Bagehot

Neither soft encroachment nor relaxed self-confident permeation is really my style. I start from the premise that the world needs actuaries and the actuarial approach to recognising and solving problems. It needs the economic analysis of ideas to be all about values, determined by financial modelling and the assessment of risk, rather than immediate return, with its myopic focus on how bottom line figures can be manipulated to support subjective judgements. It needs a commitment to an evidence-based approach supported by rational, and where necessary sophisticated, statistical interpretation of available information. This evidence-based approach to matters of public interest is too often ignored in favour of unsubstantiated views delivered for short-term effect by masters of the adversarial style.

We actuaries are a small profession, but we are not narrow, and we embody the longer-term evidence-based rational approach in all that we do. Other contiguous professions are much larger, and if we believe that their influence threatens the values which we sustain in the public interest, we should not be ashamed to be the mouse that roared. If other professions are under attack for their cynical defence of sectarian interest or their out-dated restrictive practices, we must have a distinctive identity so that our case is judged on its own merits.

I suggest to you that society would be enriched if it had a larger and stronger actuarial profession. We used to be known as the poor man's profession, because we did not insist that new recruits paid to be articulated before becoming members. Ever since then our approach to the supply of new actuaries has been passive. Let us consider for a moment why it is that business in the U.S.A. has so many lawyers and business in the U.K. has so many accountants. The answer lies in supply, not in demand. Nowhere, except possibly in Mexico, are actuaries the dominant profession in business. The debate which I trivialise as long-term good versus short-term profit versus may the best man win is rarely heard. It should be, and it would be if there were more actuaries to champion the long-term good.

I therefore turn my attention to ways of increasing the supply of actuaries, and in doing so I am rejecting the strategy of penetrating the wider field by relaxed self-confident permeation alone. That will not be enough. We may win the rational argument, as we did with capital projects and the Private Finance Initiative. We

may succeed, as we are slowly doing with general insurance. In the former case persuasion has not yet been enough, and if we are not careful it will die like Sidney Benjamin's dream of taking actuaries into operational research. In the latter, the scale of our involvement is held back by a scarcity of experienced actuaries.

Increasing the supply while maintaining the standard will not be easy. Mathematics, the bedrock of our learning, is in decline in this country, in contrast to the situation in many other countries. School teaching has seen a marked shift towards softer subjects such as project investigations and data surveys at the expense of core techniques. Clear evidence of the increasing inability of pupils to solve problems involving decimals, fractions, ratio, proportion and algebra is interpreted by those responsible for defining our national curriculum as demonstrating that the topics are 'too hard' for most pupils in their lower secondary years. Double A-level mathematics entries in England and Wales have dropped from 14,200 in 1970 to 5,400 in 1994, with only a slight increase in single entries. This compares with an increase from 21,400 in 1970 to 66,400 in 1993 in those obtaining the Series C Mathematics and Physical Sciences Baccalauréat, in France.

How then is the actuarial profession to attract a higher proportion of the cream of British youth against this background of declining numeracy weaned on soft options rather than Bertrand Russell's truth and supreme beauty, like that of sculpture? We cannot rely on traditional employers. Demand for untrained students from traditional employers may decline, and the pressures on those students has undoubtedly increased enormously in my working lifetime. It is arguable that studying for an extended period while in full-time employment is no longer attractive, and some students might prefer longer full-time education and shorter apprenticeship if the financial implications are addressed. Certainly they have never been under greater simultaneous pressure from the demands of both employer and examiner than they are today. We must therefore look for help to the universities.

However, a greatly enlarged university-trained supply would also mean that more graduates with an actuarial qualification would start, and then spend, their careers outside the traditional areas. This must be the right time to encourage that development. Applied statistics is coming out of the closet, and is increasingly valued in almost every aspect of today's corporate decision-taking. Applied statistics is our domain, and we should be embracing, promoting and playing a major part in this development. We should be the natural home for the numerate who seek to apply their, and our, core competencies in a practical and valuable fashion, and in an ethical and professional manner. They would enrich our profession, for the world of applied mathematics has never been so varied or exciting. We would be attractive to them because of what an ancient profession living for the world of tomorrow can offer, especially if we are seen to be proactive in promoting the use of our techniques in the wider field. I suggest to you that it would be in the public interest for us to do so.

In summary, I suggest that now is the time to change our image from a profession restricted to expertise in the financial affairs of insurance companies and pension funds. Let us be, and be seen to be, experts in the practical application of

financial modelling and risk analysis in all areas of business. Let us be the preferred qualification for applied statisticians who see benefit in belonging to a professional body. Let us be ready to enhance the reputation of this wider definition of professional actuaries operating in the wider field. That should be our goal.

Our problem is not that the approach is inapplicable outside the confines of pensions and insurance. Our problem is the lack of influence in the wider fields, coupled with a lack of recognition that actuaries can add value.

We are trying harder than ever to correct that lack of recognition. We are encouraging actuaries to pioneer the wider fields; but it is a slow process. In addition to increasing the supply of nascent actuaries I suggest that we adopt an additional tactic. I suggest that we find ways of getting actuaries into positions of influence in the wider fields, and that we consider ways of doing this which may involve a re-definition of what it takes to become an actuary.

There are many applied mathematicians already operating in positions of influence in the wider field. We should seek those of them who would recognise and value actuarial methodology and who would be willing to subscribe to our standards of professionalism. Depending upon the level of their qualifications and experience, we should be ready to admit and welcome such men and women to membership of this Institute, and to create a special class of membership for those who have no need to complete our examinations. This is not even new thinking. In 1897 T. E. Young urged the Institute to offer "appropriate membership to persons pursuing cognate professions, and to persons connected with our practical labours". He drew attention to the Honorary Members of the Institute of Civil Engineers, the Honorary Associates of the Royal Institute of British Architects and the Associate Members of the Institution of Mechanical Engineers. We even have a class of Honorary Members ourselves. Do you recall how many are in it? One. Creating, and rapidly growing, a new class of, say, Affiliate member would be a welcome addition to our professional life and will help us to expand our horizons. Where will they come from? I think of University Departments and those who consult from those Departments using methodologies which are the same, or similar to, our own. I think of tracing the lost generations of unqualified successes who were once members of this Institute, but have since chosen, and succeeded, in other careers. I think of the British equivalents of people who are called actuaries in other countries, and yet have never completed a course of examinations as arduous as the obstacle course to our Fellowship.

Lest this be a new idea which pains you, let me repeat the logic:

- (1) Actuarial science and the actuarial profession have a valuable role to play in the wider field. We do not need to discover discounted cash flow. We do not need to discover value-based accounting. We do not need to discover risk analysis. We do not need to discover data-mining. We do not need to discover the theory of financial option pricing. We do not need to discover the control cycle. We have been doing these things for decades, if not centuries. We know that they are tools to be used, and are not so precious that they can only be used sparingly for pensions and insurance. We know that the professional

application of them is valuable and valued, and can be used for the public good. We know that actuaries are the only profession which is trained to think long-term, and that that of itself is in the public interest.

- (2) Branching out into the wider field from where we are will not happen to a significant extent if all we do is preach about it. Less than 1% of the profession in active full-time employment works outside our four main areas of specialist knowledge. Fred Menzler tried it, and it did not happen in his lifetime. Sidney Benjamin tried it, and it did not happen in his lifetime. If we carry on as we are I do not believe it will happen in my lifetime, or even in Andrew Smith's lifetime.
- (3) The new idea is a four-pronged strategy to give business the benefit of actuarial science, namely:
 - (a) launch new recruits with an actuarial training and qualification, in large numbers;
 - (b) welcome into the profession respected applied mathematicians who will embrace our creed;
 - (c) continue to win the hearts and minds of politicians, and business leaders, in the way that the Wider Fields Board has started, focussing on specific examples; and
 - (d) actively seek to enhance the status and recognition of the value of actuaries in the eyes of government, other professions, industry, the media, the public and overseas.

I do not seek in all this to undermine the work done by the Future of the Profession Working Party or the conclusions that they have drawn; yet I was as perturbed as many younger members by the depressing implications. Fortunately, we all know in our business lives just how difficult it is to predict demand accurately. I therefore suggest to you that those projections of demand for actuaries could turn out to be seriously misconceived — especially if we take steps to ensure that they are by aggressively increasing the supply.

So back to my premise. If you believe, as I do, that British business — and global businesses for that matter — would be better served by improved financial modelling and risk analysis, then businesses need more actuaries. We should therefore recruit more actuaries and we should train them. We should work with the universities to persuade an increasing number of numerate graduates that our training is both intellectually stimulating and practical, that our qualification is exceptionally highly regarded, and that our profession is both satisfying and rewarding.

How far is all this a leap of faith? How far would we be justified in casting off the soubriquet of cautious conservatism that we are often taunted with. I suggest to you that this is a situation in which we are in danger of being forced into the defensive position of talking ourselves into thinking that the demand is falling and that we should shrink the supply. I suggest to you that there is a danger of being swallowed up by hard encroachment from contiguous profes-

sions. I suggest to you that, as in so many defensive situations, the best means of defence is attack. The future of this profession needs to be expansionist, and now is the right time to make it so.

PUBLIC RELATIONS

There is only one thing in the world worse than being talked about, and that is not being talked about

Oscar Wilde

The link between that expansionist line for the profession and the final topic I wish to touch on this evening, public relations, takes me back to Geoffrey Heywood. He set out his object while holding the Presidency as “to give the Institute leadership directed with all the energy which I am able to muster towards firstly widening our field of activity, secondly elevating the status of the profession and thereby bringing to the notice of the public the activities with which we are concerned and the services which we are able to give in the public interest”.

The energy that Geoffrey mustered was colossal, and if my energies are seen to be directed towards the same goals over the next two years I do not believe that I shall have served you ill.

Widening our field of activity, elevating the status of the profession, bringing to the notice of the public, serving the public interest; each of those remains as important today as they were a quarter of a century ago when Geoffrey created our Public Relations Committee under Marshall Field’s enthusiastic chairmanship. They recognised the importance of bringing our light out from under the bushel and shining it at Government, other professions, industry, the press and the public, at home and overseas.

I am pleased to say that our Public Relations Committee is as active today as it has ever been, and has benefited from a number of enthusiastic chairmen. We have had the benefit of Public Affairs consultants for a number of years, and we shall soon have Public Relations consultants to improve our effectiveness still further.

In any enterprise PR always benefits from a strong and visible lead from the top, and I intend to give that leadership. Some of the issues on which we need to pronounce are difficult, such as the recent examples of what is the right form and content of point-of-sale disclosure and what is the way out of the pensions mis-selling problem. There have been other issues where real differences of view exist within the profession, such as the Greenbury proposals and the Minimum Funding Rate. Both the inherited estate and genetic testing are other current examples of difficult issues, and there are and will be more. However, as the difficulties increase so must the commitment to overcoming them, and the profession’s pronouncements must always concentrate on the public good in preference to the sectarian interests of members and their employers or clients.

I have said that I would like this to be an expansionist period for the profession; to expand in size and widen in scope. It was Fred Menzler who coined ‘the wider field’ nearly half a century ago in his Presidential Address. His long career was

immortalised in one of the Bernard Fison and Jim Lagden Students' Society revue numbers as 'Fred Menzler lived 900 years'. Let us ensure that he does not have to wait so long to see the profession abound in those Elysian wider fields.

It will not happen unless we fulfil the first, and therefore presumably the most important, object of the Institute in our Royal Charter granted by Queen Victoria in 1884, that of elevating the status of actuaries. Occasionally others will blow our trumpet for us, but that does not obviate the need to do so ourselves. That is another reason for sharpening up the professionalism of our P.R. and improving our communication skills.

CONCLUSION

The good of the people is the chief law

Marcus Cicero

It is customary for Presidents to indulge themselves on these occasions, and I make no apology for doing the same. Preparing this Address was an opportunity to reflect on thirty years which have convinced me that I was fortunate to find this profession. I have had great variety of work. I have travelled and worked as an actuary in more countries than the years I have practised. I have had more excitement than I bargained for, and two professional crises both of which I have referred to tonight. I have made friendships in and because of this profession that I value. The opportunity to prepare this Address has occasioned me, for the second time in my life, to research the thoughts and studies of our forebears and trace the strong professional line which we inherit and which we must grace, enhance and then pass on.

I have given you tonight my personal views on the profession and the precepts by which I would like my term as President to be judged. I have also launched some kites that I would like to see fly. If there are achievements, they will be yours not mine, and the credit will be shared by all those who do so much for the profession, both the Institute staff and the army of members whose voluntary help we depend upon. If there are failures, the responsibility will be mine to bear. Whatever happens, I shall strive to fulfil your expectations of this high office and to compensate by earnest endeavour what I lack in ability.

For goodness sake, let us show the world that actuaries are the profession which always puts the public interest before all other, for good.

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