

Reinie, I'm sure, felt the friendly atmosphere at our meeting this past spring, and I thank you for the very friendly reception that I received here. I think this is all a good sign for the future solution of our problem.

R. A. HOHAUS:

At the time of the first meeting of the Society of Actuaries in this hotel in November 1949, our next speaker discussed with me informally the plans under way for the formation of the Conference of Actuaries in Public Practice. He of course had great hopes. He saw very clearly the need for an organization of actuaries in public practice and it is my strong impression that either he alone or he and several others were the guiding spirit in bringing the Conference into being. Those of us who followed the progress of the Conference in the last ten years have been greatly impressed with its accomplishments and the attainment of stature of a professional body in so short a period. The next speaker has held many posts in the Conference and I know you will be much interested in his remarks. He has long been active in the Fraternal Actuarial Association, and I hope he will also tell us about that body.

Last but not least, Ed Brown, our next speaker, is also an Associate of our Society.

EDWARD D. BROWN, JR.:

*Fraternal Actuarial Association*

The Fraternal Actuarial Association was formed in August 1916, largely through the efforts of the late George Dyre Eldridge. Among the familiar names connected with the early days of the Association were Abb Landis, Wendell P. Coler, Sydney H. Pipe, Frank M. Speakman, Edward B. Fackler, and George A. Huggins. The object of the Association as stated in its Constitution is "to further the application of insurance mathematics to fraternal insurance and to increase the knowledge of the theory and practice of fraternal insurance by the presentation of appropriate papers, discussion and study of pertinent subjects by associating together persons of like interests."

Membership in the Association is composed of three classes: active, associate and contributing members. The qualifications for membership in the various classes are as follows:

*Associate Membership.* Anyone pursuing actuarial work may become an Associate member if:

1. Such person has attained definite mathematical proficiency at the college level or its equivalent as has been prescribed by the Council;
2. Such person, in the judgment of the Council, has had experience with fraternal insurance;

3. Such person is nominated for that title by at least two Active members of the Association; and
4. Such person is finally approved by the Council.

The Council of the Association may at its discretion, waive either but not both of the first two requirements for Associate membership mentioned herein. An Associate member shall be entitled to all of the privileges of the Association except those of voting and holding office.

*Active Membership.* Active membership may be attained by complying with the following conditions:

1. The applicant shall have been an Associate member for one year;
2. The applicant shall be actively engaged in actuarial work in the fraternal field;
3. The applicant shall have prepared and presented to the Association a paper accepted by the Council; and
4. The applicant shall have been finally approved by the Council.

The Council by unanimous vote may waive either the second or third but not both the foregoing requirements for Active membership.

*Contributing Membership.* Contributing membership shall be open to any fraternal benefit association or to any life insurance company which is liable for the payment of benefits under fraternal benefit certificates, subject to the approval of the Council. A representative of a Contributing member may attend and participate in the discussions at any meeting of the Association except during executive sessions. Contributing members may have the use of the facilities of the library under the rules of the Association governing the same.

Membership in the Association is primarily limited to full-time actuaries of fraternal societies and consulting actuaries practicing in the fraternal field.

For a more thorough discussion of the Association and its history, I refer you to the paper entitled, "The Fraternal Actuarial Association in Retrospect," by George A. Huggins, which is contained in the *Proceedings* of the Association, No. 29, for the year 1956-57.

Activities of the Association consist generally of papers presented at its meetings and have been confined largely to the fraternal insurance field, although there have been a number of papers presented on subjects of general actuarial interest which are not necessarily confined to the area of fraternal insurance. The Association normally has two meetings each year, one of which is held at the same time and place as the National Fraternal Congress.

At the present time, membership in the Association consists of 76 active members, 40 associate members and 15 contributing members. There is considerable overlapping of membership between the Fraternal Actuarial Association, the Conference of Actuaries in Public Practice

and the Society of Actuaries. Of the 76 active members, 31 are fellows or associates of the Society, and 42 are members or associates of the Conference. Sixteen hold membership in both the Society and the Conference. There are 18 active members with no other affiliation; of these, 2 are consulting actuaries, 8 are full-time actuaries of fraternal societies, 6 are actuaries of life insurance companies, and 2 are not classified. Of the 40 associate members, 18 are also affiliated with the Society of Actuaries, 15 with the Conference of Actuaries, and 10 of these have affiliation with both the Society and the Conference. Seventeen associates have no other affiliation; of these 9 are actuaries or other officers of fraternal societies, 2 are officers of life insurance companies, 4 are consulting actuaries, and 2 are not classified.

Admission to membership in the Association requires a written application outlining the educational background and business experience of the applicant, and nomination by two active members. Such applications are submitted to the Council for their consideration and approval. No formal written examinations are required as is the case for admission to the Society.

The Association has been quite active throughout its existence and there has been a sustained and continuing interest by its members in the activities and proceedings of the Association. There is no question but that the existence and activities of the Association have made valuable contributions to the fraternal insurance system.

#### *Conference of Actuaries in Public Practice*

Six consulting actuaries, over a luncheon table in a Chicago restaurant in the Fall of 1949, discussed the need for an organization which would provide a specific forum for the interchange of viewpoints and discussion of the problems of the consulting actuary. This was not a new idea, since this concept had been discussed many times on previous occasions. It was the feeling of this group that there was an increasing need for such an organization, and it was determined that their thoughts be relayed to a representative number of well-known consulting firms throughout the country. The response was such that an organization meeting was held in Chicago in January 1950, at which time the Conference of Actuaries in Public Practice was officially organized.

The objectives of the Conference, as stated in its By-Laws, are:

To unite the profession of public actuaries; to advance the practical application of actuarial science to all branches of insurance, education, and business; to promote and maintain high professional and moral standards among its members; to encourage mutually beneficial relationships between actuaries; to corre-

late the functions of the Conference with professional, business, educational, and administrative bodies or institutions which relate directly or indirectly to the actuarial profession.

To put this in other words, what we had in mind was to establish an organization to serve the interests and to meet the problems peculiar to the consulting actuarial profession and to establish and maintain a recognition of the truly professional status of the consulting actuary.

Membership in the Conference at the outset was composed of three classes: Members, Associates and Affiliates. In order to qualify as a Member, a candidate was required to be an actuary engaged in public practice with not less than 15 years of actuarial experience, not less than 5 years of which were in public practice. Qualification for Associate membership required that the candidate be an actuary with not less than 5 years of actuarial experience, not necessarily in public practice. The Affiliate classification was open to any corporation, partnership or other type of organization, or to an individual interested in the objectives of the Conference. In addition, each candidate for Member or Associate is required to furnish evidence of the character, responsibility and continuity of his practical experience, his proficiency in actuarial mathematics and that his professional and business qualifications and moral character and ethics are beyond reproach. The applications are first cleared through a Membership Committee who may inquire into any aspect of the application on which they require additional information. The applications are then submitted to each member of the Board of Directors and must be approved by a majority of the Board before membership is granted. Election to the Board of Directors or serving as an Officer of the Conference and all voting rights are restricted to Members of the Conference. All Members are, at the time of approval, engaged in public practice. If a Member ceases to be engaged in public practice, he is then classified as an Inactive Member and as such is not eligible to hold office or to be a member of the Board of Directors.

Many Associates of the Conference are not engaged in public practice and in many instances would never expect to be so engaged. The Board of Directors has suggested a change in classification and procedure which will be submitted to the membership for its consideration in the near future. Under the proposed arrangement a new classification will be set up under which present Members will be known as Member-Consulting Actuaries. The Associate classification will be divided into two parts: one of these will be known as Associate Member-Consulting Actuaries which will consist of individuals engaged in public practice who do not qualify

for full membership but can be expected to become Members in the future when they have completed all the requirements for full membership; the other part of the Associate classification would consist of actuaries not in public practice who would be known as Associates of the Conference of Actuaries. The Affiliate classification would remain unchanged. In addition it is proposed that every candidate for the Member, Associate Member, or Associate classification be personally interviewed by two or more members of the Membership Committee or the Board of Directors, and that he be required to furnish a monograph demonstrating his proficiency on some topic of his own choosing. This monograph may be an original one prepared for this purpose or may consist of material previously prepared. It is also proposed that the application form be modified and enlarged to provide more complete, definite and specific information with respect to the applicant.

No formal examination procedure has been set up by the Conference, although this has been considered and may develop in the future.

At the organization meeting, 12 actuaries were present who constituted the membership of the Conference and were named the first Board of Directors. Membership of the Conference has grown steadily, although no organized effort to enroll new members was ever made. Most actuaries who learned of the formation of the Conference agreed that there was need for such an organization. At the present time the Conference consists of 120 Members, 189 Associates and 57 Affiliates. Practically every recognized consulting actuarial firm in the United States is represented by one or more members. There has been a considerable change in the proportion of the membership who are also Fellows or Associates of the Society of Actuaries. At the organization meeting, I was the only Member with representation in the Society. Today there are 47 Members of the Conference who are Fellows or Associates of the Society, or approximately 40% of the total. Thirty-three Associates of the Conference are also Fellows or Associates of the Society.

The Conference publishes an annual volume called *The Proceedings*, containing the papers and discussions presented at its annual meeting. We have been very much pleased with the reception and comments on these volumes and believe they constitute a significant contribution to actuarial literature.

One problem which is of general interest to all actuaries, but which we believe is vital to the Conference and to consulting actuaries, is the question of legal recognition of actuarial work as a profession. The actuarial profession has no legal standing in the United States in the same manner as the doctors, the lawyers and the accountants. The Conference takes the

position that the professional status of the actuary is of prime importance in our long-range planning.

This lack of professional status is most acute in the area of welfare and pension planning. For example, the Federal Welfare and Pension Plans Disclosure Act requires that certain information be filed with the Department of Labor, which information includes statements as to method of funding, calculation of past and future service liabilities, and other items which are strictly actuarial in nature. No provision is made, however, for certification of these items by an actuary. In fact, the word "actuary" does not appear anywhere in the Act. It would certainly appear to be in the public interest if this Act should require certification by a qualified actuary, at least of those items which are strictly actuarial in nature. The Conference has recognized this problem and now has a committee working in conjunction with a committee of the Society on the possibility of an amendment to the Act under which actuarial certification would be required. If the Act should be so amended, it will be necessary that some standard of qualification be established for actuaries proposing to certify to the documents filed under the Act.

This question of standards of qualification for certification or accreditation has had considerable attention from committees appointed by the Society, the Conference, the Casualty Actuarial Society and the Fraternal Actuarial Association, acting separately and in joint discussion. It is our hope that positive action will result from the work of these committees. It is our belief that the amendment of the Disclosure Act is at least a first step toward recognition of the professional status of the actuary, although this would apply primarily in the pension field and at the federal level.

In addition to the federal approach, some Members of the Conference have approached the Executive Committee of the National Association of Insurance Commissioners with a proposal that they place on the agenda of NAIC the question of a definition of the term "Actuary" with a view toward the establishing of uniform standards at the state level for qualification of actuaries.

We believe that if these two procedures could be carried through to successful conclusion, we would have come a long way toward providing recognition of the actuarial profession.

Another matter which has had considerable publicity in recent months is of peculiar interest to the consulting actuary. A Subcommittee on the Unauthorized Practice of Law of the American Bar Association has published an opinion dealing with the unauthorized practice of law in connection with pension and welfare plans. I do not propose to discuss the

content of this opinion except to state that if its provisions were to be strictly observed, the usefulness of the actuary in connection with such plans would be practically eliminated and that such a result would not be in the public interest.

The Conference has had its problems and growing pains, as any new organization must, but we feel we have improved and clarified our membership requirements and procedure to the point where we can be certain that an applicant is properly qualified.

Attendance and participation at meetings have been most gratifying despite the fact that consulting actuaries are extremely busy people and it entails real sacrifice of time and money to attend.

The basic long-range plans of the Conference include legal recognition of the profession, as discussed above, and establishing the Conference as the representative body for consulting actuaries, with a view to establishing and maintaining the highest ethical and professional standards for its members. At the 1960 annual meeting of the Conference a Code of Professional Ethics was adopted. This Code is similar to the Guides to Professional Conduct adopted a few years ago by the Society.

In conclusion, we believe it can truly be said that the Conference has come of age and that it has demonstrated the reasons for its existence. While the number of Members is small and will undoubtedly remain so, we feel the membership is in a position to wield a significant amount of influence in many areas which will bring benefits to the Conference and to the actuarial profession as a whole.