

TRANSACTIONS

OCTOBER, 1967

COMMITTEE REPORTS

REPORT OF THE COMMITTEE ON STATUS AND ACCREDITATION

MR. ANDREW C. WEBSTER: At the spring meetings of the Society there was a report on the then status of the accreditation of actuaries, and in that report the Committee pointed out some of the difficulties that had arisen in trying to get recognition from the various states. Because of the difficulties, the Committee considered the course that we should follow for the immediate future, and, following the suggestion of the Board of Directors of the Academy of Actuaries, we explored the possibilities of using an administrative order in place of legislation.

Only one state, Indiana, has enacted a statute providing for the certification of actuaries. When this bill became law, the provisions of the bill were questioned by some of the casualty companies operating in Indiana. In the process of rate-filing, which the casualty companies have to follow, these companies had their rate schedules completed by their regular staffs. These companies questioned therefore whether, as the law enacted seemed to require, the filing of these rate schedules had to be made by accredited actuaries. It was not the intent of the promoters of the bill to make any change in this particular procedure. Since the passage of the bill, members representing the casualty companies and the life companies have been in touch with the Indiana commissioner, who is charged with administering the law. We expect that suitable clarifying regulations will be issued.

It is not easy to cover all the areas in which the various insurance companies of various kinds are involved. There are the problems of the smaller casualty companies which do not have actuaries on their regular staffs.

The Committee is now recommending that the Academy attain ac-

creditation by administrative procedure. This was mentioned originally as one of the alternatives to legislation. It has one distinct advantage, in this period when we are trying to find our feet, in that to be amended an administrative order does not have to be acted upon by the legislature. The issuer of the administrative order can change the order if the circumstances require.

For the present we suggest a further restriction because of the casualty companies' problems. The suggested order would require that only statements of life insurance companies and pension and welfare plans, where these are controlled by state statute, would be required to be signed by a certified actuary. We propose to examine the situation state by state. Some of the larger states will be approached first.

One problem that was before us was the question of the examinations for the Academy, since, as we explained in the interim report, the licensing or certifying authorities are entitled to require that certain standards of competence be attained by any member who is to be certified. There have been some lengthy discussions about the examinations and about how the Academy examinations should be related to those of the component bodies. This problem has now been solved, and we can now go to the states and suggest recognition, including recognition of members of the Academy.

We have been exploring various ways in which this administrative order might be issued. One method that has some logic to support it is the interpretation of the valuation-of-policies section of the law. The law generally requires that the superintendent "shall annually value, *or cause to be valued*, the reserve liabilities, etc." It seems to us that the superintendent could require that the valuation be made by a certified actuary.

We have already reported that the NAIC gave us their approval at their meeting last December. They have a continuing committee on accreditation, and we are in touch with this committee.

There is nothing to report on the federal front. The Javits bill hearings were scheduled to take place this fall. For various reasons these have been postponed and may be held in the spring of 1968. The Committee expects to appear at these hearings to emphasize the need for accreditation and to bring the American Academy of Actuaries to the notice of the congressional committee conducting the hearings.