

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1973 VOL. 25 PT. 1 NO. 73**

MINUTES OF THE ANNUAL MEETING

of the

SOCIETY OF ACTUARIES

HELD AT THE WALDORF-ASTORIA HOTEL

NEW YORK, NEW YORK

OCTOBER 1, 2, AND 3, 1973

The meeting was called to order by the President, Mr. Thomas P. Bowles, Jr., on Monday, October 1, 1973, at 9:00 A.M. The following is a summary of the attendance at the meeting:

SUMMARY

Fellows.....	897
Associates.....	344
Guests.....	90
Total.....	<u>1,331</u>

The President welcomed the following visitors from overseas: Mr. Halvor Loken, Oslo, Norway, Secretary of the Nineteenth International Congress of Actuaries held in Oslo in June, 1972; Mr. Claude Poulin, Société Commerciale de Réassurance, Paris, France; Mr. Sadahiko Abe, Sumitomo Mutual Life Insurance Company, Osaka, Japan; Mr. Hideo Daikaku, Asahi Mutual Life Insurance Company, Tokyo, Japan; Mr. Shiro Hori, Meiji Life Insurance Company, Tokyo, Japan, Vice-President of the Institute of Actuaries of Japan; Mr. Keijiro Kobayashi, Daihyaku Mutual Life Insurance Company, Tokyo, Japan; and Mr. Masakazu Masaki, Meiji Mutual Life Insurance Company, Tokyo, Japan. President Bowles announced that these guests would be formally recognized at the general session on Wednesday morning.

President Bowles then presented Mr. Edwin B. Lancaster, chairman of the Committee on Elections, who reported the results of the election as follows:

President-Elect: Charles Lambert Trowbridge

Two-Year Term

Vice-Presidents: William A. Halvorson
Daniel W. Pettengill

Secretary: William A. Spare

Treasurer: John T. Birkenshaw

<i>Editor:</i>	K. Arne Eide <i>Two-Year Term</i>
<i>Board of Governors:</i>	Stephen G. Kellison <i>Three-Year Term</i> Gary Corbett John A. Fibiger John C. Fraser Ardian C. Gill Robin B. Leckie Ian M. Rolland

Mr. Trowbridge, the new President-Elect, briefly addressed the membership.

The Secretary presented an oral summary of the major items of business transacted at the Board of Governors' meeting held September 30, 1973, as follows:

1. The Board approved the recommendation of the Special Committee on Preparation and Publication of Monetary Values that the Society proceed with the publication of 1958 CSO Values at 4 per cent interest.
2. The Board authorized the appointment of committees to investigate two cases of alleged unprofessional conduct which recently have been brought to the attention of the President.
3. The Board authorized the Education and Examination Committee to proceed with the proposed restructuring of the Fellowship examinations. At its previous meeting, the Board had approved the proposal as being appropriate to the needs of the Society but directed the President to refer the proposal to each of the other actuarial bodies who jointly sponsor the examinations, for their consideration. Each of the five bodies has given its support to the proposal. The present target date for the start of the necessary transition period is May, 1976. Transition rules will be announced at least eighteen months in advance of that date.
4. The Board took the following actions with respect to recommendations arising from a meeting of the presidents and presidents-elect of the six North American actuarial organizations held on September 14:
 - a) The Board authorized the President to appoint members to a joint committee on independence to be formed by the six actuarial bodies or to proceed with as many of the bodies as may be willing to cooperate.
 - b) The Board authorized the President to appoint members to a joint committee to participate in the discussion of an experience require-

ment for membership, with the proviso that the Society representatives clearly state to the other representatives that this participation does not suggest that the Society wishes to impose an experience requirement for Society membership.

- c) The Society of Actuaries has a Committee on Actuarial Education and Research Foundation. The presidents and presidents-elect of the six actuarial organizations believe that such a foundation should be for the entire actuarial profession and recommend that consideration be given to inviting the other five actuarial organizations to join the Society in a joint study of organizing such a fund. Accordingly, the Board authorized the President to invite the other five actuarial organizations to participate in a joint study of organizing an Actuarial Education and Research Foundation.
5. The Board discussed the need for publishing a history of the Society each year to record major decisions, activities, and trends. At present such information is contained in the minutes of the meetings of the Executive Committee and the Board of Governors, in various articles in *The Actuary*, and in various reports in the *Transactions*. It was agreed that a historian should be appointed to gather together this information for publication in a yearly history. The historian should be a member of the Board of Governors, probably someone in his second year of service on the Board. The President will appoint a historian for the coming year.
6. The Board approved the recommendation of the Program Committee that the meeting of the Society scheduled for March 25-26, 1974, in Boston be a special-purpose meeting on health insurance.
7. The Board approved the following dates and places for future meetings of the Society:
 - a) Monday and Tuesday, April 2 and 3, 1979, Marriott Hotel, New Orleans, Louisiana.
 - b) Thursday and Friday, June 7 and 8, 1979, Banff Springs Hotel, Banff, Alberta.
 - c) Monday-Wednesday, October 22-24, 1979, Americana Hotel, Bal Harbour, Florida.

The Treasurer summarized the financial report, published elsewhere in this volume of the *Transactions*. He announced that because of higher costs it will be necessary to increase by \$5.00 the meeting registration fees for the 1974 spring meetings.

The Executive Director presented his report, covering a description of the work performed in the office of the Society in the areas of education and examinations, membership, and publications.

The President recognized those who were responsible for the preparation of the program and thanked all of the meeting participants and those who planned the meeting.

The President then recognized and welcomed the new Fellows and Associates who were attending their first meeting of the Society after attaining their present ranks.

The President advised that the Society had received word of the deaths of six members since the last meeting: Jesse Feld, Victor B. Glunts, Ward Van Buren Hart, Louis R. Menagh, and Gordon Duryea Shellard, Fellows; and Paul Wesley Moore, Associate. The members observed a moment of silence in respect for the memory of these members. Obituaries are printed in this volume of the *Transactions*.

The President introduced the authors of papers which were to be presented later at concurrent sessions or at the general session on Wednesday morning. He announced that the authors would be formally recognized on Wednesday morning.

President Bowles then gave his presidential address, which is printed elsewhere in this volume of the *Transactions*.

The President introduced the Honorable Lloyd M. Bentsen, United States Senator from Texas, who addressed the membership on the subject "Pension Legislation at the Federal Level Today." The President thanked Senator Bentsen.

The President adjourned the meeting at 10:45 A.M.

The meeting reconvened at 11:00 A.M. in three concurrent sessions and two workshops. A special concurrent session, "Pension Legislation," was presented by the American Academy of Actuaries Committee on Actuarial Principles and Practices, moderated by Mr. George B. Swick and with the following panel members: Messrs. Preston C. Bassett, James F. A. Biggs, Edwin F. Boynton, William A. Dreher, Jack M. Elkin, and Howard H. Hennington. Concurrent Session A, "New Developments in Group Life and Health Programs," was moderated by Mr. George N. Watson; panel members were Messrs. Robert J. Dymowski, Robert M. Johnstone, Jr., and A. Henry Kunkemueller. Concurrent Session B, "Marketing Individual Ordinary Insurance," was moderated by Mr. Robert B. Goode, Jr.; panel members were Messrs. John T. Birkenshaw, Richard B. Sieben, and Martin L. Zeffert. Workshops 1A and 1B were held on the subject "Individual Health Insurance"; Workshop 1A was moderated by Mr. Donald M. Pearsall, assisted by Mr. Robert B. Shapland; Workshop 1B was moderated by Mr. James J. Olsen, assisted by Mr. Carl L. Loeffel. These sessions adjourned at approximately 12:30 P.M.

The meeting reconvened at 2:00 P.M. in a teaching session, three concurrent sessions, and ten workshops. Teaching Session I, "Federal Income Taxation of Life Insurance Companies," was conducted by Mr. John C. Fraser. Concurrent Session C, "Actuarial Literature," was moderated by Mr. John M. Bragg; panel members were Mrs. Anna M. Rappaport, Mr. Gary N. See, and Mr. William B. Waugh. Concurrent Session D, "Individual Disability Income Insurance," was moderated by Mr. Niels H. Fischer; panel members were Messrs. Ernie Frankovich, Donald R. Selser, Richard E. Swager, and Theodore N. von Wallmenich. Concurrent Session E, "Group Survivor Income Benefits," was moderated by Mr. John G. Turner; panel members were Messrs. George F. M. Mayo, Richard C. Murphy, and Erwin A. Rode. Workshops 2A, 2B, 2C, and 2D were held on the subject "Pensions—Vesting and Portability"; Workshop 2A was moderated by Mr. Laurence E. Coward, assisted by Mr. Stanley R. Freilich; Workshop 2B was moderated by Mr. John G. Ireland, assisted by Mr. Donald S. Grubbs, Jr.; Workshop 2C was moderated by Mr. Paul C. Hart, assisted by Mr. William G. Nordstrom; Workshop 2D was moderated by Mr. Frederick C. Mabry, assisted by Mr. R. Alvin Field. Workshops 3A, 3B, and 3C were held on the subject "Marketing Individual Ordinary Insurance"; Workshop 3A was moderated by Mr. Daniel J. Gross, assisted by Mr. Donald R. Edwards; Workshop 3B was moderated by Mr. Sanford W. Scott, Jr., assisted by Mr. Herbert Orenshein; Workshop 3C was moderated by Mr. Brian J. P. Fortier, assisted by Mr. Richard M. Stenson. Workshops 4A, 4B, and 4C were held on the subject "Variable Life Insurance—Technical Problems"; Workshop 4A was moderated by Mr. Jerome S. Golden, assisted by Mr. C. Larry Edris; Workshop 4B was moderated by Mr. Ian M. Charlton, assisted by Mr. R. Stephen Radcliffe; Workshop 4C was moderated by Mr. Timothy A. Hinchliff, assisted by Mr. Lawrence K. Shultes. These sessions adjourned at approximately 4:30 P.M.

On Tuesday, October 2, the meeting convened at 9:00 A.M. in an address, two concurrent sessions, and three workshops. The address, "Best Buy for the Buyer," was by Mr. Armand C. Stalnaker, chairman of the ALIA Committee on Life Insurance Costs, and president and chief administrative officer of the General American Life Insurance Company. Concurrent Session F, "Group Life and Health—External Developments," was moderated by Mr. James L. Purdy; panel members were Messrs. Robert A. Brown, Charles L. Trowbridge, and Simone Matteodo, Jr. Concurrent Session G, "Pension Plan Financial Reporting," was moderated by Mr. Walter L. Grace; panel members were Messrs. James F. A. Biggs, Edwin F. Boynton, and Samuel Eckler. Workshops 5A, 5B, and 5C were held on the subject "Corporate Planning"; Workshop 5A

was moderated by Mr. Joel C. Magyar, assisted by Mr. Robert L. Lindsay; Workshop 5B was moderated by Mr. Joseph Fafian, Jr., assisted by Mr. Robert D. Shapiro; Workshop 5C was moderated by Mr. Frank S. Irish, assisted by Mr. William Daniel Smith. These sessions adjourned at approximately 10:45 A.M.

The meeting resumed at 11:00 A.M. in three concurrent sessions and six workshops. Concurrent Session H, "Variable Life Insurance," was moderated by Mr. Ian M. Rolland; panel members were Messrs. Paul R. Fleischacker and Joseph R. Pickering. Concurrent Session I, "Social, Economic, and Political Forces Shaping Pension Plan Design," was moderated by Mr. Preston C. Bassett; panel members were Messrs. James A. Curtis, Harrison Givens, Jr., and Dilgit S. Juneja. Concurrent Session J, "What Is the Legitimate Demand for Actuaries?" was moderated by Messrs. Wilbur H. Odell, Jr., and Walter S. Rugland; panel members were Messrs. Frank A. Brooks, Joseph P. McAllister, Carl R. Ohman, and Robert J. Randall. Workshops 6A and 6B were held on the subject "Group Life and Health—External Developments"; Workshop 6A was moderated by Mr. Frank J. Alpert, assisted by Mr. Simone Matteodo, Jr.; Workshop 6B was moderated by Mr. Sherman M. Wolff, assisted by Mr. Joseph F. DeSimone. Workshops 7A and 7B were held on the subject "Underwriting Individual Ordinary Insurance"; Workshop 7A was moderated by Mr. James L. Compere, assisted by Mr. Robert S. Fillingham; Workshop 7B was moderated by Mr. Lyle B. Sherwin, assisted by Mr. LaVerne W. Cain. Workshops 8A and 8B were held on the subject "Regulation of Individual Health Insurance"; Workshop 8A was moderated by Mr. Donald R. Skelton, assisted by Mr. John M. Lenser; Workshop 8B was moderated by Mr. B. George Isen, assisted by Mr. Spencer Koppel. These sessions adjourned at approximately 12:30 P.M.

The meeting reconvened at 2:15 P.M. in three concurrent sessions and seven workshops. Concurrent Session K, "Generally Accepted Accounting Principles—Interpreting Statements," was moderated by Mr. Frederick S. Townsend, Jr.; panel members were Messrs. Robert Posnak (partner, Ernst & Ernst), Roland R. Strickert, and Irwin T. Vanderhoof. Concurrent Session L, "The Replacement Problem," was moderated by Mr. Christopher H. Wain; panel members were Messrs. Russell R. Jensen, Richard A. Leggett, and William A. White. Concurrent Session M, "Investment Performance of Pension Plans," was moderated by Mr. Murray L. Becker; panel members were Messrs. James J. Davies, Martin W. Levenson, and Davis H. Roenisch. Workshop 9, "Group Insurance—Administrative Services Only," was moderated by Mr. Henry W. Siegel, assisted by Mr. George B. Trotta. Workshops 10A, 10B, and 10C were held on the subject "Social, Economic, and Political Forces Shaping

Pension Plan Design"; Workshop 10A was moderated by Mr. Richard Daskais, assisted by Mr. A. Norman Crowder III; Workshop 10B was moderated by Mr. Raymond W. Bender, assisted by Mr. Murray A. Segal; Workshop 10C was moderated by Mr. Edward H. Davis, Jr., assisted by Mr. R. David Parsons. Workshops 11A, 11B, and 11C were held on the subject "Variable Life Insurance"; Workshop 11A was moderated by Mr. Paul A. Campbell, assisted by Mr. Richard E. Swager; Workshop 11B was moderated by Mr. John T. Longmoore, assisted by Mr. Alfred A. Walter; Workshop 11C was moderated by Mr. Henry K. Knowlton, assisted by Mr. Wilson H. Scott. These sessions adjourned at approximately 4:30 P.M.

On Wednesday, October 3, the meeting convened at 9:00 A.M. in four concurrent sessions and five workshops. Concurrent Session N, "New Individual Ordinary Products," was moderated by Mr. David R. Carpenter; panel members were Messrs. Kenneth T. Clark, Paul J. Overberg, and Larry R. Robinson. Concurrent Session O, "Determining the Cost of Operating Procedures," was moderated by Mr. Alan E. Morson; panel members were Messrs. James A. Mitchell, Jr., George F. O'Leary, and Frank Zaret. Concurrent Session P, "Actuarial Research," was moderated by Mr. John A. Mereu; panel members were Messrs. Russell M. Collins, Jr., James C. Hickman, Dale E. Lamps, and Joseph C. Sibigroth. Concurrent Session Q, "Implementation of Generally Accepted Accounting Principles," was moderated by Mr. Richard S. Robertson; panel members were Messrs. John A. Beekman, Melvin L. Gold, and Claude Y. Paquin. Workshops 12A, 12B, and 12C were held on the subject "Individual Policy Pension Trust—Guaranteed Issue"; Workshop 12A was moderated by Mr. Robert A. Bacon, assisted by Mr. Donald H. Pond, Jr.; Workshop 12B was moderated by Mr. Thomas S. Ferguson, Jr., assisted by Mr. David R. Nesselde; Workshop 12C was moderated by Mr. Joseph R. Galko, assisted by Mr. Larry Bernstein. Workshops 13A and 13B were held on the subject "Actuarial Aspects of Health Maintenance Organization Development"; Workshop 13A was moderated by Mr. Harry L. Sutton, Jr., assisted by Mr. David E. Norton; Workshop 13B was moderated by Mr. Richard A. Burrows, assisted by Mr. Harold Gilbert. These sessions adjourned at approximately 11:00 A.M.

The meeting was reconvened by President Bowles at 11:15 A.M.

The minutes of the regional meeting in New Orleans held on March 20-21, 1972, as printed in the *Transactions* (XXIV, 61-64 inclusive), the regional meeting in Atlantic City held on May 15-16, 1972, as printed in the *Transactions* (XXIV, 243-46 inclusive), the regional meeting in Chicago held on June 1-2, 1972, as printed in the *Transactions* (XXIV, 247-52 inclusive), and the annual meeting in Bal Harbour held on October

23-25, 1972, as printed in the *Transactions* (XXIV, 541-49 inclusive), were approved.

Speaking in French, President Bowles welcomed Miss Adrienne M. Rihouey and thanked her for the help she had given Mr. Harry D. Garber in carrying out the local arrangements for the meeting. Miss Rihouey responded in French.

The President recognized Mr. Richard S. Robertson, chairman of the Program Committee, and again thanked those who were responsible for preparing and taking part in the program.

President Bowles formally recognized the visitors from overseas whom he had welcomed at the opening session on Monday. He then introduced one of the guests, Mr. Hideo Daikaku, Vice-President of the Institute of Actuaries of Japan, who read a message of greeting from the Institute of Actuaries of Japan, which had been prepared by Dr. S. Kawai, Chairman of the Board. President Bowles thanked Mr. Daikaku and expressed his appreciation for the message.

The President then recognized the authors of papers which had been presented at concurrent sessions earlier during the meeting: Mr. John A. Beekman, author of "A New Collective Risk Model"; Mr. Ernie Frankovich, author of "Health Insurance—Return of Premium Revisited"; Messrs. Melvin L. Gold and Paul L. Weichert, coauthors of "GAAP in Practice"; Mr. Claude Y. Paquin, author of "The Development of Mean Natural Reserve Factors and Methods of Amortizing Acquisition Expenses in Adjusting Life Insurance Company Earnings"; and Mr. Charles L. Trowbridge, author of "Social Security Amendments—1969-72."

The President then introduced the authors of papers being presented at the current general session: Messrs. Maxwell Baskin and Alexander Marshall, coauthors of "Financial Underwriting for Individual Life Insurance"; Mr. Christopher D. Chapman, author of "Interest Allocation Using a Computer Model"; Mr. George L. Hogeman, author of "Adjusted Benefit Reserves for Individual Hospital and Individual Major Medical"; Messrs. Robert B. Miller and James C. Hickman, coauthors of "Time Series Analysis and Forecasting"; and Mr. Irwin T. Vanderhoof, author of "Choice and Justification of an Interest Rate." The authors gave brief summaries of their papers.

President Bowles introduced Mr. Morton D. Miller, President of the American Academy of Actuaries, who addressed the membership on the current activities of the Academy.

The President announced that Mr. Francisco Bayo had been awarded the Triennial Prize for the period July 1, 1970, to June 30, 1973, for his paper "Mortality of the Aged." Mr. Bayo thanked President Bowles, the

membership, and those who had been helpful to him in the writing of the paper.

The President then introduced Vice-President Dale R. Gustafson, who reviewed for the membership the proposed formation of a Joint Committee on Independence of the Actuary and asked that members express their views on this subject to committee members or Board members.

President Bowles then turned the meeting over to President-Elect Edward A. Lew. Mr. Lew expressed the appreciation of the membership for Mr. Bowles's leadership and particularly noted the work done in the restructuring of the committees. Mr. Lew then briefly addressed the membership, mentioning several paths the Society will have to follow in trying to further its objectives, including the need for more actuarial literature and actuarial theory and the need for better and closer relationships with other disciplines.

Mr. Lew called on Mr. Edwin B. Lancaster, who presented a silver tray to Mr. Bowles on behalf of the Society in appreciation of his services as President. Mr. Bowles expressed his thanks for the gift.

Mr. Lew then closed the session at 12:48 P.M.

The meeting reconvened at 2:15 P.M. in a teaching session and ten workshops. Teaching Session II, "Generally Accepted Accounting Principles," was conducted by Mr. Joseph C. Noback. Workshops 14A, 14B, and 14C were held on the subject "Profitability of Insured Pension Products"; Workshop 14A was moderated by Mr. Barry L. Shemin, assisted by Mr. Simon C. Baitler; Workshop 14B was moderated by Mr. Harold J. Brownlee, assisted by Mr. Joseph J. Doucette; Workshop 14C was moderated by Mr. Joseph P. Macaulay, assisted by Mr. William G. Osenton. Workshops 15A and 15B were held on the subject "New Individual Ordinary Products"; Workshop 15A was moderated by Mr. Alvin B. Nelsen, assisted by Mr. Jay M. Jaffe; Workshop 15B was moderated by Mr. George L. Hill, assisted by Mr. Charles D. Williams III. Workshop 16, "Group Dental Insurance," was moderated by Mrs. Mary S. Riebold, assisted by Mr. John H. Stearns, Jr. Workshops 17A, 17B, and 17C were held on the subject "Generally Accepted Accounting Principles—Technical Problems"; Workshop 17A was moderated by Mr. Barton H. Clennon, assisted by Mr. John T. Glass; Workshop 17B was moderated by Mr. Paul T. Bourdeau, assisted by Mr. David H. Wood; Workshop 17C was moderated by Mr. David A. Webster, assisted by Mr. Harold I. Cohen. Workshop 18, "Actuaries in Court—the Measurement of Impaired Earning Capacity," was moderated by Mr. David T. Bunin, assisted by Mr. Stuart A. Robertson. These sessions adjourned at approximately 4:30 P.M.

