

RECORD OF SOCIETY OF ACTUARIES 1977 VOL. 3 NO. 2

REORGANIZATION OF THE PROFESSION

Moderator: ROBIN LECKIE. Panelists: NICHOLAS BAUER, GEOFFREY CROFTS

MR. ROBIN B. LECKIE: This morning's panel discussion represented the last gasp of the Actuarial Restructuring Committee (ARC); this afternoon's session is the first whisper of the Vogel Committee. Today we are beginning on the issues which will be the nuts and bolts of the reorganization of the profession.

MR. NICHOLAS BAUER: It is generally recognized that the issues and problems that gave rise to the need to reorganize the actuarial profession in North America are largely internal to the United States. Accordingly, the ARC proposals are designed to tackle these issues and problems while trying to preserve those aspects of the present organization perceived to be the most useful.

Canadian actuaries will feel the impact of reorganization on at least two major fronts: as individual members of the Society and as members of the Canadian Institute of Actuaries (CIA) which, as an organization, has important relationships with the Society. Because Canadians are essentially satisfied with the present organizational structure, possible problems caused by reorganization can be identified by comparing the present services and benefits received by Canadian Society members and by the CIA with those that will be available after restructuring.

For such a comparison to be made, fairly accurate knowledge of the functions of the proposed non-national, non-membership organization (the "E" of the ARC report) is necessary. This leads to the major dilemma of the ARC report. The separation of responsibilities and functions between "E" and "U" has been defined neatly in theoretical terms but has not been empirically tested. Indeed, the proposed allocation of functions is sufficiently elastic that "E" could be:

- (a) a supercommittee or scientific college, providing education and administering examinations, granting degrees or certificates to those who have completed prescribed courses, carrying out research and general experience investigations, and possibly holding some conferences
- (b) an organization much like the Society but without membership or direct fees
- (c) something in between

I base this conclusion on a consideration of the key criterion used for the allocation of functions, namely, "E" to be responsible for education and examination (E & E) and for scientific, non-national matters, "U" and "C" handling national functions. A strict interpretation of non-national would exclude from the purview of "E" virtually all matters occupying the day-to-day attention of most actuaries, while a looser interpretation could create difficult conflicts between the roles of "U" and "E."

If "Σ" would be essentially a non-membership Society, then the impact on Canadians could be small since they would continue to enjoy virtually all the advantages of the current situation. This scenario, however, does not strike me as very likely.

On the other hand, the "scientific college" approach to "Σ" would raise a number of problems for Canadians:

- (1) There will inevitably ensue a gradual drifting apart of Canadian and American actuaries, though joint meetings of "C" and "U" could mitigate the process. Canadian members of the Society have always felt enriched by the exposure to a different approach to common problems.
- (2) A large proportion of Canadian actuaries are employed in areas where reasonable familiarity with U. S. condition and practice is indispensable though they are not actually employed in U. S. practice. They would have to join "U" to maintain their contact with the U. S. This would result in a more onerous double fee than now and may entail additional examination requirements.
- (3) Would "Σ" take over mortality, morbidity, expense and other purely Canadian studies now done by the CIA? If not, the fee structure again penalizes Canadians. Also, will the CIA be content to have purely Canadian studies be done outside its direct purview?
- (4) The E & E process, though situated in "Σ," may gradually be adapted to increasingly reflect the needs of the national bodies by extending the current Part 9 geographic split downward through the fellowship examinations. This will decrease awareness of U.S. practice and laws by Canadians (and vice versa) and will make cross-qualification more onerous.
- (5) Currently the CIA has its own guides to professional conduct and disciplinary code, covering only its own members. The CIA relies on the Society for discipline of those with student status in the Institute. "Σ" will be unable to fulfill this role, except insofar as discipline related to the examinations is concerned. Therefore the CIA guides and by-laws will have to be changed.
- (6) A number of Canadians actually work in areas where they supply advice to U. S. clients and/or are required to furnish written reports, opinions, or certification to U. S. clients or authorities. It is of vital importance to them that, in the process of reorganization, their current qualification in the U.S., whether it be F.S.A., M.A.A.A., or whatever, not be weakened or lost.
- (7) Perhaps in the long run the most important potential problem for all of us is the loss, through a gradual drifting apart, of the camaraderie, cooperation, and general sharing of ideas and opinions that the Society of Actuaries fostered. The resulting national isolation is, to my mind, confining and retrograde. Respect for one another's independence is one thing; isolation is something else again.

My remarks have centered on the problems that Canadian actuaries might face as a result of reorganization because that is my role in this panel. But it is well to re-establish the perspective. Canadian actuaries realize that they have been fortunate in being able to avoid the problems that now face U.S. actuaries, and it is to these problems that restructuring hopes to respond. There is no doubt that the primary impact will be felt by U.S. actuaries, and that they will face more and greater difficulties than Canadians. I sincerely hope that the solution finally adopted will meet the hopes and expectations of all Society members and other actuaries.

MR. GEOFFREY CROFTS: There are a number of other problems arising from the proposed reorganization as conceived in the ARC proposal.

1. How does the new organization come to grips with the organizational phenomenon of the cycle of unification, followed by schism, followed by unification, etc.? The actuarial profession has observed:
 - (i) Unification: the Actuarial Society of America (1889)
 - (ii) Schism: the American Institute of Actuaries (1909)
 - (iii) Unification: the Society of Actuaries (1949)
 - (iv) Schism: the Conference of Actuaries in Public Practice (1950)
 - (v) Unification: the American Academy of Actuaries (1965)

This is a difficult question for organization structure to solve. The ARC proposal addresses itself to this problem in two ways:

- (a) Hopefully, the new organization will be flexible enough to recognize and meet new needs as they arise.
 - (b) If new splinter groups develop, it should be possible to find a place for them in the proposed structure.
2. It appears that, as nationalistic concerns become more prominent in the life and work of the actuary, there is a tendency for the actuary to turn to the organization which best meets those needs. Thus, the international aspects tend to atrophy. Does the ARC proposal confront this problem?

Again, this is a difficult problem for any organization structure to solve. I believe that the ARC proposal addresses this problem as directly as any other proposal and better than some. The common international aspects are prominently identified in "Σ," and actuaries in all countries can relate in the same way to "Σ" and thus to each other.

3. Is "Σ" a viable long-term organization that will retain the interest of its "non-members"? Would it hurt to make it a membership body?

The ARC felt that a non-member organization would command the interest and dedication of its certificate-holders in the same manner that the Society of Actuaries does with respect to the significant Education and Examination Committee. "Σ" would relate to its members in the same way that a university does to its alumni. "Σ" should command very strong loyalties, since it is the source of the most important credentials. Perhaps there are signs that this would not be true. We would like to hear opinions.

If "Σ" were to be made a membership body, then there would need to be a governing board elected by those members. The ARC proposal wanted the governing body of "Σ" to be elected from or appointed by the Boards of "C" and "U" in order to reduce management conflict. It also bypasses the problem of grandfathering in new members. Members of the profession will have only their existing credentials.

4. What is the meaning of non-symmetry between "C" and "U"?

"C" appears to require as classes of membership: Fellows, students, correspondents, while "U" appears to need different categories: Fellows, Associates, Affiliates, etc. The sectioning of "U" would appear to be more complex in that it would try to recognize interests such as casualty, pension, enrolled actuaries, etc. The structure needed to meet the needs should be developed without the necessity of parallel structure between "C" and "U." From a pragmatic point of view, perhaps non-symmetry might extend to "Σ" with possibly "C" continuing to conduct Canadian experience studies with "Σ" conducting those for the rest of the world.

5. Finally, do we really need reorganization?

MR. LECKIE: One of the concerns the Vogel Committee will face is the membership structure of the national bodies. Possible questions of interest are:

1. What are the member classes of "U," and what rights do they have?
2. What are the qualification requirements for these classes?
3. What are the possibilities of cross-qualification between the national bodies?
4. What government recognition will result?

One member of the Vogel Committee has put forth a proposal concerning the membership structure of "U." The classification of "Fellow" would include fellows of the Society of Actuaries, the Casualty Actuarial Society, and the Conference of Actuaries in Public Practice, and members of the Academy of Actuaries. The classification of "Member" would include all other members of actuarial bodies and those with governmental recognition. Both groups would have full voting and membership privileges.

The management structure of "Σ" and "U" is a particularly important problem which must deal with the full recognition of minorities such as the Canadian actuaries and the casualty actuaries.

Another concern which needs to be answered is the idea of "speaking with one voice." In closing ranks behind a unified profession, there must continue to be an adequate representation of actuarial opinion without the expression of only one viewpoint.

We have reached the point where the Society of Actuaries seems to accept, at least in principle, the proposed reorganization. Now we need to add teeth to the proposal in a form the Society will buy. The Society gives up a lot in the ARC proposal, but as members we have a real responsibility to consider the development of the entire profession in North America.

MISS GRACE V. DILLINGHAM: One of the major objectives of reorganization appears to be control over who is to be considered an actuary, both for the protection of the public and for the sake of "speaking with one voice." I doubt that we will ever achieve this objective in the United States. For example, it is my understanding that the Joint Board for the Enrollment of Actuaries feels obligated under the law to set its own exams precisely so that there will be a road to enrollment that does not rely on the Society exams. This raises two questions: First, is there any reason to suppose that because "Σ" is not a membership organization, its exams will be any more acceptable as the sole method of meeting the educational requirement for enrollment, either to the Joint Board under the present law, or to Congress, if legislative action is needed. Second, unless the "Σ" exams become the sole route to enrollment, will we be in any better position than we are now for coping with enrolled actuaries who manage to give the impression that they have a government stamp of approval that makes them the only real actuaries?

MR. CROFTS: One likely outcome would be that the examinations for enrollment would be a set of examinations that are administered by "Σ."

MR. RICHARD HUMPHRYS: I do not personally favor the ARC recommendations, but, as a member of the Board of Governors, I voted for the resolution supporting their further study. The ARC proposals were carefully considered and concrete. Any progress on the issue of reorganization of the profession must be based on the discussion of specific proposals examined in terms of their possible implementation.

If the international aspect of the Society is an embarrassment to the U. S. actuaries, then the international concept, as we now know it, has got to go. If the Society chooses this path, it does so as a strong, viable, active organization.

I am unconvinced that "Σ" will have any roots or viable support in its role of research, meetings, and publications. The attempt to separate the scientific from the practical and to assign a nationality to general commitments and problems will hamstring the two national organizations in examinations and other matters, but I fear the creation of another organization which sucks some of its purpose from the other bodies.

MR. J. JACQUES DESCHENES: Of vital concern is whether there is any possibility of unanimous support for the ARC proposals. We must assume we want every organization to agree, otherwise the whole effort collapses. Each organization, in concert with the other five or six, must determine the maximum amount it is willing to yield. Each will have a list of points it is unwilling to compromise, and the rest will be compromised.

Presumably, in the end, the Society will have to vote itself out of existence and must do so with a two-thirds majority vote. I wonder if such a vote could be made.

No matter how necessary these proposals may be, it may not be possible, with all the effort we put into it, to reach a clear solution.

MR. WALTER S. RUGLAND: On the issue of reorganization, I do not think the members really care what happens. Several sessions to discuss the issue have exhibited a large degree of disinterest. If we continue to discuss

reorganization at the higher levels where we are manufacturing self-concern, we are not going to resolve the issue. We are almost at the stage where we should phrase a basic "yes" or "no" question, ask the members, and go on from there.

The real issue in this discussion is the changing nature of the actuarial profession. Ten years ago the Society was a self-serving organization, put together to aid existing members in their chosen occupation and to create a qualifying procedure for those who wanted to join. The advent of the Academy and the Canadian Institute gave notice that this was a profession with responsibilities to the public. This change in outlook has been a very traumatic experience; a normally gradual shift has been telescoped into a few years.

Our problem in this type of effort is that our questions concerning reorganization tend to relate only to ourselves without asking how we will serve the public. We must focus on our responsibility as a true profession, and that focus should be the first standard on which we judge all proposals on reorganization.

MR. BAUER: Any professional association worth its salt keeps the interests of its public uppermost in its mind, as it is from that public that it derives the exclusivity of its practice. The ARC recommendations had that point very much in mind in trying to come up with a proposal which allows the public to identify what an actuary is. This is in sharp contrast with the current confusion.

MR. M. DAVID R. BROWN: The solution we are seeking through reorganization in the United States is an organization that can be accredited or be recognized as the body responsible for determining who is qualified to perform actuarial services. There is a need for an organization to control standards in an appropriate way, and that is what we must work toward. If the whole exercise is approached from this perspective, we will end up with whatever kind of organization is necessary to serve that purpose.

It will be very difficult to discard the proliferation of organizations and vested interests although that would be the best way to obtain the end result we want. It is worrisome that the solution may be imposed bit by bit in a way that will make nobody happy, if the procedure for the enrolled actuary is any precedent.

MR. CHARLES W. JACOBY: We seem to be bogged down with many nit-picking details. When we begin talking in terms of accomodating non-North American actuaries, we are getting ahead of ourselves, and we seem not thoroughly convinced that there is a problem worthy of reorganization. We are tending to little issues and are failing to notice the big problem. There remains the basic question as to whether the leadership of the actuarial organizations has sufficiently impressed upon the membership the need for reorganization.

MR. LECKIE: It appears that something is about to happen. It may take several years, and it will involve much compromise, as there is no painless solution. It will evolve in the best interests of the profession and of the public the profession serves, if that is what we want. If, on the other hand, we do become disinterested, we will lose the democratic voice necessary to determine the future course of the Society and of the profession.

Something is going to happen. Perhaps the something will be that we do nothing, but doing nothing will be a policy decision.