

# TRANSACTIONS

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## ADDRESS OF THE PRESIDENT, ROBERT H. HOSKINS

### THE STATE OF THE SOCIETY

During the past year, much has happened in the Society of Actuaries. Some is recorded in the booklet of Committee Reports, October 1982; some is mentioned in the Secretary's reports of nonroutine business of the Board of Governors and of the Executive Committee and in reports by the Treasurer and the Executive Director; some is reported in articles in *The Actuary* and in other publications.

I have selected six topics that I would like to highlight: planning, education, complaints and discipline, elections, accreditation of F.S.A.'s, and legal review. It is interesting that on only the first three of these was there work on the drawing board last October.

### PLANNING

The Board of Governors, at its meeting in October 1981, authorized the President to appoint a Committee on Planning. The committee consists of ten Fellows, and Robin Leckie is its chairman.

The results of the committee's efforts during the past year have been impressive. The committee presented to the Executive Committee last month a report making recommendations, the Executive Committee in turn endorsed these recommendations to the Board of Governors, and the Board of Governors adopted them.

The first recommendation was that the Board adopt in principle the "Context for Planning in the Society of Actuaries" proposed by the Planning Committee and that it be used as an approach to planning in the Society of Actuaries. This document contains descriptions of a planning model, the characteristics of the Society of Actuaries, support to planning, an annual planning cycle, a strategic planning cycle, an operational planning cycle, and key directional and strategic issues.

The committee felt that the very nature of the Society of Actuaries precludes the classical planning model because of the following characteristics of the Society:

1. The Society is a very democratic organization serving the needs of all members equally.
2. The purpose of the organization is not clear.

3. The Board of Governors is an advisory group, meeting rarely and without a formal stake in operations.
4. Operational management (the President, the Executive Committee, and to some extent the Board) operates on a one-year cycle and on a part-time basis.
5. "Management" is not selected for its management or planning ability or to carry out a step in the strategic planning process.
6. The structure of the Society is developed almost entirely along functional lines.
7. Almost all the work in the Society is carried on by volunteers through committees with no cohesive accountability.
8. The small permanent staff exists to keep the Society operational rather than to provide leadership.

The committee stressed that these were not criticisms but characteristics to be recognized.

The second recommendation was that the Board adopt a new "Society of Actuaries Statement of Purpose" in place of the "Society of Actuaries Statement of Planning Objectives" approved by the Board in October 1978, that the Statement of Purpose serve as the basis for planning in the Society of Actuaries, and that it be printed in the *1983 Year Book* with an appropriate preamble. This Statement of Purpose is an elaboration of the objectives described in Article II of the Constitution of the Society of Actuaries.

The third recommendation consisted of six specific recommendations to improve the Board's planning capabilities.

The fourth recommendation was that the activities of the Committee on Cooperation and Coordination be assumed by the Committee on Planning and that the Committee on Cooperation and Coordination be discharged with the thanks of the Board.

The fifth recommendation was that the terms of reference for the Committee on Planning be revised. The suggested charge was the following:

1. To identify the key long-range strategic issues that could influence the direction of the Society of Actuaries.
2. To analyze, develop, and respond to those issues assigned to the Committee.
3. To advise on matters relating to relationships with other North American actuarial organizations.
4. To work with the Board and staff in administering an annual planning cycle for the Society of Actuaries.

It is important to put in context the work of the Committee on Planning, as it is too easy to place the responsibility for planning on it. We must remember that planning and policymaking are two of the most important accountabilities of the Board of Governors and of the Executive Committee. The Committee on Planning serves as a stimulus and staff support in helping these governing bodies to carry out their accountabilities.

Why is planning important? It is because our Society must have a mission and goal if we are to set and follow an appropriate course of action today. The importance of the Society to each of us and to the future of the profession we have chosen warrants our attention. We are certainly not well served by a series of ad hoc decisions with the Society failing to meet clearly the needs of either its members or the community. An effective planning context is, therefore, necessary to give the Board a framework for continuity and an appropriate sense of direction.

#### EDUCATION

Because of the concern that it did not have a clear understanding of the philosophy underlying the Society's educational process, the Board of Governors, at its meeting in October 1981, asked the Education and Examination Committee to set down its understanding of the conceptual framework for the development of actuarial education in general.

"A Strategic Premise for Actuarial Education" was prepared primarily by the committee's general chairman, Michael Cowell, with contributions from Linden Cole and James Murphy. After the Education Policy Committee approved the document, the Board of Governors adopted in March a resolution approving "the following as an official statement of the Strategic Premise upon which the educational policy and the ongoing development of the syllabus of the Society of Actuaries is based":

- Providing the actuary with an understanding of fundamental mathematical concepts and how they are applied with recognition of the dynamic nature of these fundamental concepts in that they must remain consistent with developments in mathematical knowledge.
- Providing the actuary with an accurate picture of the socio-demographic, political and legal, and economic environments within which financial arrangements operate, along with an understanding of the changing nature and potential future directions of these environments.
- Exposing a broad range of techniques that the actuary can recognize and identify as to their application and as to their inherent limitations, with appropriate new techniques introduced into this range as they are developed.
- Exposing a broad range of relevant actuarial practice, including current and potential applications of mathematical concepts and techniques to the various and specialized areas of actuarial practice.
- Developing the actuary's sense of inquisitiveness to encourage exploration into areas where traditional methods and practice do not appear to work effectively.

Task forces have been established to develop recommendations for improving the syllabus on subjects covered in the Associateship examinations, and others are being initiated to make recommendations to update the material on topics in the Fellowship syllabus.

## COMPLAINTS AND DISCIPLINE

The Board of Governors at its meeting in October 1981 authorized the President to appoint a high-level special Task Force to Develop Guidelines for the Operation of the Committee on Complaints and Discipline. This task force was to include the chairman and vice-chairman of the Committee on Complaints and Discipline. There were ten Fellows of the Society on this task force, and its chairman was Julius Vogel.

The charge to the task force was as follows:

The purpose of the Task Force is to develop Guidelines for the operation of the Committee on Complaints and Discipline that will take into account relevant matters in the operation of the Committee, including the need for confidentiality and discretion in the work of the Committee and its Chairman, with the objective of assuring members of the Society and the Board that breaches of professional standards of conduct by members are appropriately disciplined.

The task force developed guidelines, which were discussed by the Committee on Complaints and Discipline, by the Executive Committee, and by the Board of Governors, and were adopted by the Board of Governors.

As the task force pointed out, "guidelines are difficult to draw up because they have to accommodate (i) the need for confidentiality in the work of the Committee on Complaints and Discipline, (ii) the need for general awareness among the members of the Society and the public that the Society does have an effective apparatus for dealing with misconduct by a member, and (iii) the wide variety of kinds of cases that come up for consideration by the Committee on Complaints and Discipline."

The difficulty is compounded by trying to reconcile the need for definite rules with the need for flexibility. These guidelines, therefore, are not intended to be hard and fast rules, and the committee and its chairman are expected to use common sense and reasonable discretionary latitude in their application.

The task force also recommended changes in Article VII of the Constitution which were "aimed at facilitating the operation of the Committee on Complaints and Discipline by making the Committee smaller, by broadening the universe from which additional members can be drawn to deal with a particular complaint, and by providing that hearings may be conducted by as few as three members of the entire Committee rather than require a quorum of the entire Committee." The Board of Governors endorsed the recommended changes.

## ELECTIONS

The Committee on Elections early in 1982 sent a rather lengthy questionnaire to a random sample of 1,158 Fellows in order to elicit opinions

about the Society's election process. Seven hundred seventy-six (67 percent) of the questionnaires were returned.

The questionnaire consisted of three sections: questions dealing with demographic characteristics of the respondents, election-related questions and constitutional matters, and a section providing an opportunity for general comments.

The main results of the questionnaire can be summarized as follows:

There are some things we are doing right; for instance, 69 percent of the respondents agreed that the first ballot "reference list" is helpful, and 8 percent disagreed. Similarly, 80 percent of the respondents agreed that the candidates are well qualified, and only 1 percent disagreed. It is also reassuring that 82 percent of the respondents agreed that they were generally satisfied with the way the Society is run, and only 10 percent disagreed.

On the other hand, there is room for improvement. The most striking example is that 81 percent of the respondents agreed that they do not know enough about most of the candidates to be able to choose among them, and only 16 percent disagreed.

On constitutional matters, 27 percent of the respondents agreed that Associates should be allowed to vote in the elections, and 66 percent disagreed. There was a similar response to the suggestion that Associates be allowed to run for office.

After analyzing the responses, the Committee on Elections recommended that the Board authorize the President to appoint a special committee to propose ways to have candidates become better known to the membership and authorize the chairman of the Committee on Elections to submit a draft article for inclusion in *The Actuary*.

The Board of Governors modified the first recommendation, and instead requested the Committee on Elections to do three things:

1. Propose ways to have candidates become better known to the Fellows;
2. Recommend guidelines to be followed by the Committee on Elections to ensure consistency in the election process from year to year;
3. Recommend other changes in the election process suggested by responses to the questionnaire.

#### ACCREDITATION OF F.S.A.'S

The Board of Governors, at its meeting in March, authorized the President to appoint a task force with a charge

1. To study the implications of a request to the NAIC to recognize the F.S.A. designation, in the same manner as it recognizes the M.A.A.A. designation, as proper qualification to perform actuarial duties in conjunction with life insurance company annual statements;

2. To publicize its formation to, and to invite the participation and input of, the membership; and
3. To report to the Board of Governors at its meeting on October 16-17, 1982.

The task force consisted of nine Fellows, and Julius Vogel was its chairman.

Item 2 of the charge resulted in a notice appearing in the June 1982 edition of *The Actuary*.

The task force has grouped the arguments for and against F.S.A. accreditation under several headings: issues related to protection of the public, issues related to the value of the F.S.A. designation, issues related to public recognition of the actuarial profession, issues related to standards of practice and discipline, issues relating to the feasibility of obtaining NAIC accreditation, other issues, and F.S.A. attitudes toward accreditation.

The issue of accreditation is a complex one. The Board of Governors referred this and the broader issue on the protection and enhancement of the F.S.A. designation to the Committee on Planning.

#### LEGAL REVIEW

The Executive Committee at its meeting in July considered a proposal for an antitrust review and audit of the activities of the Society of Actuaries. The major thrust would be to provide reasonable assurance that future Society efforts to provide appropriate services to our membership and the insurance industry continue to reflect compliance with the law.

The Society of Actuaries retained outside counsel to review the work of the Committee on Theory of Dividends and Other Nonguaranteed Elements in Life Insurance and Annuities, which was the topic discussed in an open forum yesterday.

The Executive Committee recommended to the Board of Governors that a review and audit of other activities of the Society be made, and the Board of Governors agreed.

#### REVIEW OF PLANS AND PRIORITIES

Each year the incoming president presents to the Board of Governors a list of plans and priorities for the following year. I would like to tell you about ten of mine.

On my list were a planning study and report and an education policy statement, both of which I discussed earlier.

I wanted a manual of organizations and operations prepared for the Board of Governors, and this was done early in the year by the Society staff.

I wanted to see the Society's research activities strengthened and expanded. The efforts of the Research Policy Committee and the director of research are intended to produce an environment that stimulates research that is substantial in quality and quantity, timely and relevant to the present and future needs of the profession in its effort to serve its public. Recent activities have been (1) the adoption of a paper on the scope of research, (2) the development of an annual planning cycle for the mortality and morbidity committees, which forces the committees to be more forward-thinking about their work and provides a mechanism for input from the membership, (3) provision for prizes for outstanding papers, (4) movement toward more efficient methods in compiling the mortality and morbidity studies, and (5) expansion of relations with other organizations interested in similar types of research.

I wanted to see the Society's public relations programs strengthened and expanded. I am pleased with the work of the Public Relations Committee and the director of communications. We now have a revised version of the booklet entitled "The Actuarial Profession," and a minority recruitment booklet will become available toward the end of next month.

I wanted to see an improvement in the process of committee staffing. The Committee on Professional Development and the Education and Examination committees conducted a survey to determine the interest of members of the Society in serving on committees. The Society office has prepared a computer listing of the information furnished by a large number of members who have volunteered to be on committees.

I suggested modifying the Election Guidelines to bring new persons onto the Board without destroying its present strengths. This was one of the possible modifications included in the questionnaire of the Committee on Elections.

I wanted to promote greater liaison with and support of actuarial clubs. I accepted invitations to thirteen meetings and spoke to members of seventeen clubs, some of whom were holding joint meetings.

I had two priorities involving Associates: for those who are not studying, I wanted to encourage greater participation in Society activities, and, for the others, I wanted to encourage them to become Fellows. I stressed this in my talks at the actuarial clubs.

In conclusion, I would like to acknowledge the contributions of those who make the Society of Actuaries the healthy, growing organization it is, and who have helped me carry out my responsibilities as your President during the past year.

From the top of the organization chart down, the Society of Actuaries is indebted to the members, for their contributions to committees, meetings, and publications, to the members of the Board of Governors and

the Executive Committee, for their giving direction to activities of the Society, and to the Executive Director and the staff in the office in Chicago, for their administration of the Society's business office and assistance to its officers and committees.

I am particularly indebted to three persons who have made my job as your President so much easier: Julius Vogel, our Penultimate Past President, who not only chaired the Committee on Elections, but also chaired task forces on two very sensitive issues: Guidelines for the Operation of the Committee on Complaints and Discipline and Accreditation of F.S.A.'s; Robin Leckie, who handed me the presidency of the Society of Actuaries when the Society was so healthy and chaired our important new Committee on Planning; and John O'Connor, who personally and with the assistance of his dedicated staff did so much to help me.

Thank you for the honor and the privilege of serving as your President during the past year. I am satisfied that the year has been a successful one for the Society of Actuaries. As Barbara Lautzenheiser and Dwight Bartlett follow me as President, I wish them well during the next two years.