

## RECORD

---

### THE PRESIDENTS' LOOK AT THE PROFESSION IN 1981

*Moderator: ROBIN B. LECKIE. Panelists: WALTER L. GRACE, CHARLES T. P. GALLOWAY*

MR. ROBIN B. LECKIE: Welcome to this informal panel consisting of the Presidents of the major actuarial organizations. We will be taking a look at our profession at this time. I am privileged to have as panelists this morning Walter Grace, President of the American Academy of Actuaries and Chuck Galloway, President of the Canadian Institute of Actuaries.

The word for the 1970's was "reorganization". The word for the 1980's is "cooperation and coordination". Reorganization was deemed to be desirable in order to have a unified profession in the United States and possibly in North America. While reorganization did not prove feasible, you will see today that in many ways our profession is united, if not organizationally, at least in terms of cooperation, coordination, communication and understanding. Our purpose in meeting with you this morning is to very briefly discuss how our organizations function cooperatively in addressing the issues facing the profession.

First, I would like to ask each President to briefly introduce his organization. We will also briefly cover North American organizations not specifically represented on the panel.

MR. WALTER L. GRACE: One of the purposes of the American Academy of Actuaries includes its public interface role in our profession. A second purpose has to do with the requirements of professionalism, namely, standards of qualification, conduct, and practice.

We currently have a little over 6200 members, with 42% being Enrolled Actuaries. Our largest cross membership is with the Society of Actuaries, at 73%. We have been growing at the rate of 10% a year. The "none of the above" category covers primarily Enrolled Actuaries who are not members of one of the actuarial organizations shown.

#### AMERICAN ACADEMY OF ACTUARIES

PURPOSE: Public Interface; Standards of  
Qualification, Conduct and  
Practice

	NOVEMBER 1980	AVERAGE INCREASE 1975-1980
<u>MEMBERSHIP</u>		
MAAA	6218	10%
EA	2614	42%
		<u>CROSS MEMBERSHIP /</u>
		CAPP 11%
		CAS 11%
		SOA 73%
		NONE OF ABOVE 14%

Since the Academy is responsible for public interface, part of its ongoing activities include governmental interface, both with the Federal Government and the NAIC. We've also developed an active interface relationship in the accounting area with the AICPA and FASB. Other Academy activities encompass areas of qualification standards, professional conduct, standards of practice and membership activities.

AAA ONGOING ACTIVITIES

- Governmental Interface:  
Federal; NAIC
- Accounting Interface:  
AICPA; FASB
- Qualification Standards
- Professional Conduct
- Standards of Practice
- Membership Activities

Highlighting recent AAA activities is planning--both operational and long-range. The Academy's long-range planning report has been presented to our Board and is currently under study by the Board of the other actuarial organizations.

At the operational planning level, the over 30 Academy committees and task forces with 400 members present individual plans to the Board for their committee activity in the upcoming year.

AAA ACTIVITY HIGHLIGHTS

- Long Range Planning Report
- Operational Planning
- Four Areas of Operation
  - insurance
  - pension
  - financial reporting
  - membership

MR. CHARLES T.P. GALLOWAY: The national organization for canadian actuaries is the Canadian Institute of Actuaries, CIA for short - which by analogy is a good representation of the influence of the organization but may understate the respect with which it is regarded in Canada.

Almost all Fellows of the Institute are Fellows by examination in a recognized actuarial body. Fellowship is necessary for actuarial status in Canada, that is, for signing an insurance statement or pension certificate.

The student class is primarily made up of Associates of the Society. Correspondents are those non-resident Fellows who do not need membership in the Institute but do desire the publications and services of the Institute.

CANADIAN INSTITUTE OF ACTUARIES  
 PURPOSE: SEE DECLARATION OF  
 GUIDING PRINCIPLES

<u>MEMBERSHIP</u>	JUNE	AVERAGE
	1980	INCREASE 1975-1980
Fellows	1128	5.8%
Other Members	30	7.4%
Students	417	9.7%
Correspondents	45	3.9%
Total	1620	6.4%

<u>CROSS MEMBERSHIP</u>	
SOA	over 95%
CAS	under 5%
AAA	10-15%

The next chart shows some current internal considerations by the Institute. I will only comment on the second point. To be a non-resident FCIA has always required not only Fellowship in a recognized actuarial organization but also a proven knowledge of current practice in Canada and a need for membership. A new by-law now requires that need to be demonstrated each year in order for the FCIA to be renewed.

CIA ACTIVITIES

INTERNAL MATTERS

- Experience requirements
- "Need" requirements for foreign resident FCIA's
- Disciplinary procedures
- Regional chapters
- Bilingualism policy
- Frequency/character of meetings
- Proceedings

The following chart outlines the five current activities of the Institute. The first involved the preparation of a number of papers by the Institute for a national pension review conference similar in concept to the Pension Commission in the United States.

CIA ACTIVITIES

EXTERNAL MATTERS

- Canadian National Pension Conference
- Liaison with legislators and Civil Service
- Pension plan valuation recommendations
- Joint Task Force on GAAP with CICA
- Publication of economic statistics

MR. LECKIE: Chuck, would you go on and just touch on the Conference.

MR. GALLOWAY: The Conference of Actuaries in Public Practice is committed to enabling actuaries engaged in public practice to assemble and discuss common problems. We also are committed to keeping the public informed of the profession and the responsibilities of the professional actuary in public practice.

Our membership currently totals about 700 with 96% of our members being members of the Academy and 65% members of the Society of Actuaries. Many of our members are among the leading consulting actuaries in the United States.

CONFERENCE OF  
ACTUARIES IN PUBLIC PRACTICE  
PURPOSE: ARTICLE II, CONSTITUTION

MEMBERSHIP	DECEMBER 1980	AVERAGE INCREASE 1975-1980
Fellows	430	4.7%
Members	109	3.8%
Associates	151	(4.2%) decrease
Total	690	2.6%

<u>CROSS MEMBERSHIP</u>	
AAA	96%
SOA	65%
CIA	2%

What distinguishes the Conference from other actuarial organizations is that its primary activity is serving the unique needs of consulting actuaries. This means that its papers, meetings, and publications stress the practical rather than the theoretical, and emphasize topics of current interest.

CAPP ACTIVITY HIGHLIGHTS

- Meetings
- Papers
- Publications

MR. LECKIE: The Casualty Actuarial Society was organized in 1914, to advance the knowledge of actuarial science as applied to the practice of insurance other than life insurance.

Membership as of November, 1980 totalled 892, with about a 9% average increase in Fellows over the last 5 years and a 2.5% increase of Associates.

The slower growth of Associates during the last 5 years is attributed to an examination format change the CAS made in 1975. Before 1975, only 5 exams were required the Associateship. Now there are 7 exams.

CASUALTY ACTUARIAL SOCIETY  
PURPOSE: ARTICLE II  
CONSTITUTION

MEMBERSHIP	NOVEMBER 1980	AVERAGE INCREASE 1975-1980
Fellows	465	9.2%
Associates	427	2.5%
Total	892	5.7%
<u>CROSS MEMBERSHIP</u>		
	AAA	76%
	SOA	7%
	CAPP	2%
	CIA	3%

CAS current activities center on reserve standards, continuing education, papers, committees, meetings, career enhancement for minorities, and planning.

CAS ONGOING ACTIVITIES

- Reserve Standards
- Continuing Education
- Papers
- Committees
- Meetings
- Career Enhancement for  
Minorities
- Planning

One highlight of CAS activities is our role in reserve certification with the American Academy of Actuaries.

CAS ACTIVITY HIGHLIGHTS

- Reserve Certification with AAA
- Election Procedures Currently  
under Review
- Casualty Contingencies Textbook
- Special Interests Needs
- Seminars
- Development of Papers

I would now like to move on to the Society of Actuaries, our own Society. The Society's purpose is briefly stated in Article II of the Constitution.

Quickly reviewing the Society's membership statistics prior to the November, 1980 exams, you can see that we are healthy and growing. During the last 5 years, we've had an average total membership increase of 7.3%. We also have an interesting cross membership: about one-fifth of our members are also members of the Canadian Institute of Actuaries and three-fifths are members of the American Academy of Actuaries.

## DISCUSSION—GENERAL SESSION

SOCIETY OF ACTUARIES  
PURPOSE: ARTICLE II CONSTITUTION

	NOVEMBER	AVERAGE
<u>MEMBERSHIP</u>	<u>1980</u>	<u>1975-1980</u>
Fellows	4189	8.5%
Associates	3508	6.0%
Total	7697	7.3%
 <u>CROSS MEMBERSHIP</u>		
	AAA	59%
	CIA	20%

Most of you already know that the Society is fairly active. Two of our busiest areas involve examinations and seminar programs and meetings.

Part of the Society of Actuaries strengths come from its committee structure. In fact, nowhere is the measure of activity more apparent than through our 64 committees, with over 800 members.

SOA ONGOING ACTIVITIES

- Examination Restructuring
- Seminar Programs
- Papers
- Meetings
- Experience Studies
- Committees

Under activity highlights, career encouragement is presently under study. The current Board is concerned about the supply and demand of actuaries.

Dividends and valuation are 2 other important highlights.

SOA ACTIVITY HIGHLIGHTS

- Career Encouragement
- Sections
- Dividends
- Valuation & Solvency  
(Inflation)

An especially interesting activity and really an important step for the SOA is the introduction of Sections. The SOA Board approved the concept of Sections at the October, 1980 Board meeting. Sections are designed for actuaries with common functional interests to discuss those interests, hold meetings, prepare publications and conduct research.

Right now, about 350 health actuaries are in the process of forming a Section, and they have scheduled an organizational meeting for the Society's Annual Meeting in Atlanta.

Walt, the five organizations that we've just discussed make up the Council of Presidents. There is a sixth organization which most of you have heard of, and I'm going to ask you to say a word about ASPA.

MR. GRACE: The American Society of Pension Actuaries was founded in 1966 and has become a fairly impressive organization in the 15 years of its existence. They have an administrative office in Washington, they have an effective lobby, and they run an examination system. Currently there are 7 examinations for a member and 2 additional examinations for a Fellow. The "other" category includes Associates that do not require examinations and Certified Pension Consultants that require 3 examinations.

ASPA has developed fairly good exams now, with tougher pass marks than in the past. In addition, many ASPA meetings are held on nonactuarial topics, thus adding to the broader range of information available to actuaries.

However, a majority are not actuaries and never will be. This is particularly relevant in lobbying efforts.

The Academy currently has about 300 ASPA members in its membership. These individuals are Enrolled Actuaries and, therefore, can obtain AAA membership.

AMERICAN SOCIETY OF PENSION ACTUARIES

<u>MEMBERSHIP</u>	<u>TOTAL</u> <u>(1979 YEARBOOK)</u>	<u>NUMBER</u> <u>OF EA'S</u>	<u>PERCENT</u> <u>OF EA'S</u>
FSPA	57	54	94.70%
MSPA	500	370	74.00%
OTHER	1221	10	.08%
Total	1778	434	24.40%

MR. LECKIE: Now that we have a better idea of how each actuarial organization functions independently, I'd like to touch on those areas we have in common. There are mainly four such areas: The Council of Presidents; joint sponsorship of examinations; current professional issues which affect us all; and the future.

BRIDGE OF COOPERATION  
AND COORDINATION

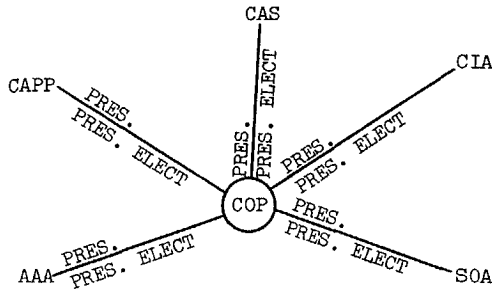
- I. Council of Presidents
- II. Joint Sponsorship of Examinations
- III. Current Professional Issues
  - A. ASPA
  - B. Professional Conduct
  - C. Expression of Opinion
- IV. The Future

Chuck, if you could say a word or two about the Council of Presidents.

MR. GALLOWAY: The Council of Presidents consists of the Presidents and Presidents-Elect of each actuarial organization. The main purpose of this informal body is to coordinate activities of the various actuarial organizations on this continent and to exchange views on current and long-term professional questions.

DISCUSSION—GENERAL SESSION

COUNCIL OF PRESIDENTS MEMBERSHIP



The staff work for the COP is done through joint committees.

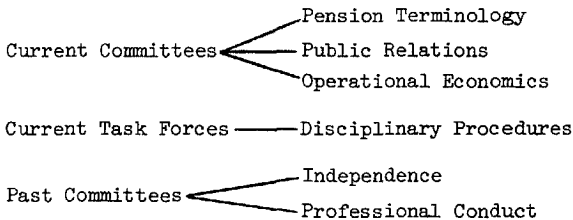
COP ACTIVITIES

- Quarterly Meetings
- Coordination Between Organizations
- Joint Committees
- Dialogue with AERF: AAA Professional Conduct Committee

MR. LECKIE: Walt, joint committees are, of course, the way in which the Council of Presidents does carry on their work. Do you want to say a word or two about the joint committees?

MR. GRACE: At the present time, there is a Pension Terminology Committee that produced the report which was exposed to all members in the last month or so. Also, there are two committees recently converted from task forces - the Joint Committee on Operational Economics, responsible for looking into administrative and operational overlaps, and the Joint Committee on Public Relations, which oversees the development of a public relations plan for our profession. The one task force remaining has just recently reviewed the disciplinary procedures of the various organizations and reported on ways in which commonality of approach or procedure might be developed.

COP JOINT COMMITTEES

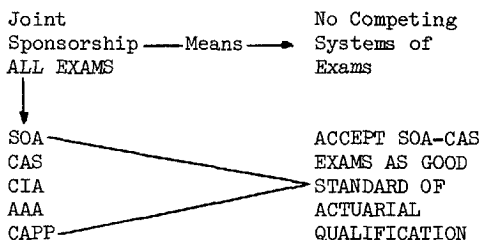


There is also the Actuarial Education and Research Fund which is a separate actuarial research organization governed by the Board of Trustees consisting of three members of each of our organizations. AERF reports regularly to the Council of Presidents.



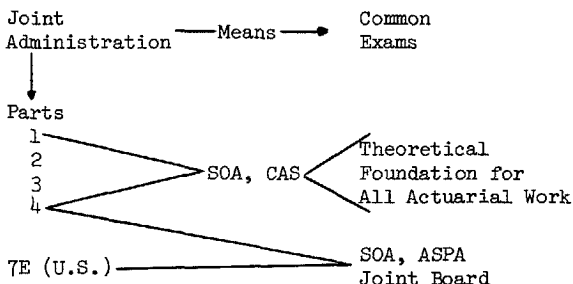
MR. LECKIE: The three organizations represented here plus the CAS and CAPP jointly sponsor all of the examinations of the Society of Actuaries and the Casualty Actuarial Society.

ACTUARIAL EXAMINATIONS



The two societies jointly administer the first four parts - these are common exams - while they each administer their own set of later exams. In addition, the Joint Board and ASPA jointly sponsor and administer with us the two enrollment examinations, Part 4 and Part 7E U.S.

ACTUARIAL EXAMINATIONS



Joint sponsorship provides a consistent base to define basic actuarial qualifications, regardless of how individuals branch out, either in life, health, casualty, etc.

Joint sponsorship also contributes to mutual respect among the different actuarial societies and unifies the profession.

One problem with jointly administering exams is that we sacrifice some control of exam content. An example of this is with Part 4. The CAS has problems with questions which examine students to the extent that they would qualify as Enrolled Actuaries for the pension exam. The SOA has had to sacrifice control of the design of the examination and to a certain extent, the level of the pass mark.

MR. GALLOWAY: Professional conduct is another issue which our organizations are concerned with, and which the Council of Presidents discusses regularly.

GUIDES FOR PROFESSIONAL CONDUCT

Guides, Opinions - All Organizations

Recommendations, Interpretations - AAA, CIA

Review Process

- (i) AAA (CIA) Committee - Professional Conduct
- (ii) Exposure Members - All Organizations
- (iii) Guides, Opinions - Adopted all Boards;  
Recommendations, Interpretations - AAA, CIA

Current Work

- Opinion #3
- Opinion #7
- Task Force Review - SOA

Under the current structure, new or revised guides and opinions on professional conduct are developed by an Academy or Institute committee, with official representatives from the governing Board of the other three organizations. All the organizations have Guides and Opinions, only the Academy and Institute have the further elaboration in the form of Recommendations and Interpretations.

The Society of Actuaries currently has a task force reviewing its position with respect to Guides.

MR. LECKIE: We now move to a rather controversial subject - the ability and willingness of our organizations to speak out on public issues. The Academy and the Institute are the two national interface organizations, and you would expect most expressions of public opinion to originate with those organizations. This, of course, is the case. The Society of Actuaries does have an article in its Constitution setting out the conditions under which an expression of public opinion can be made. The procedure is sufficiently constrained to effectively thwart, and quite properly so, most expressions of public opinion. In fact, there has been only one expression of public opinion in the last 15 years; that was the Munson Committee Report on Cost Comparisons.

EXPRESSIONS OF PUBLIC OPINION

- SOA - Article X, few opinions
- CAS - Article IX, few opinions
- CAPP - Supports AAA, but can maintain independence
- CIA - Bylaws, Section 56
- AAA - Governmental interface;  
accounting interface

MR. GRACE: The purpose of the Academy has changed over the last few years, and so one of its main functions is the expression of public opinion. As the profession grows more public, we must express opinions on issues which affect us all in the practice of actuarial science. The Academy is the organization to handle this.

We have a legislative monitoring process which anticipates issues. Depending upon the issue, a particular committee is delegated to develop statements relevant to that issue. The general committee chairman then usually speaks out on the issue. These committee statements always appear in the Academy Newsletter.

When a statement is made, it is done so only as the opinion of the Committee, and not necessarily on behalf of the Academy or its Board of Governors. However, the press usually distorts this and cites the Academy as the source of the opinion.

MR. GALLOWAY: The Institute, like the Academy, has produced a number of reports and opinions over the past several years. These have all been approved by the governing body and have primarily been submissions to federal and provincial governments, usually to do with pensions.

MR. LECKIE: Very briefly, gentlemen, where are we going both as a profession and as individual organizations?

MR. GRACE: I see the actuarial profession growing more public. I think the public will seek a better understanding of what we do and who we are. With that, we must be concerned with acting as a true profession.

We also need more appropriate guides to professional conduct and standards of practice to serve the best interests of the public. We need more willingness in the profession to get involved - to express opinion when needed.

I think the Academy will take the lead in getting better public understanding of the profession.

MR. GALLOWAY: I certainly agree that, as the years go by, I don't expect the actuary to be a mysterious person who is not well known to the public as has certainly been the case in the past. I think we will have to interact much more with legislators and government officials, and make sure that they have access to actuarial opinion. The Canadian Institute is making an effort to draw itself to the attention of such people so that they will seek advice from the profession. We believe we are making headway in making the public and government officials aware of the fact that very long range decisions which are important to the future of the country should be made in the light of the best information that can be gathered, and we feel that the actuarial profession can make a real contribution in performing projections of benefit loads and other things that will have a big financial and economic impact on the country. I think our profession will develop in other ways in order to meet certain particular problems of the Canadian Institute having to do with the wide regional difference in Canada, and language problems. We do have a task force working on the technique by which we can set up regional chapters within the Institute so that we can respond more closely to particular needs of the Institute, and I think that in other ways we will try to make our Institute more effective by streamlining some of our committees and procedures.

MR. LECKIE: One of the big developments in the Society of Actuaries, I believe, will be special interest Sections. This will emerge as we recognize the need to be closer to the area of practice which we are involved with personally, while at the same time desiring to retain the broad involvement with the overall profession. I certainly agree with you both

that the profession will have to be more pro-active rather than re-active as it has been in the past. It must be prepared to assess the implications of various environmental factors and also respond to them in terms of the equitable interests of those we serve, whether they are our companies, our clients, or the public at large.

I would imagine that there will be some restructuring of our profession in the United States. I do not know what form that will take, and I do not believe it will commence in the next couple of years. I believe the profession is structured reasonably well and functioning well and is well regarded in Canada.

I would like to open up this panel for a couple of questions.

MS. ELIZABETH C. BERNI: You indicated some problem with Part EAL. I think there is quite a big problem with Part EA2 and that is that first of all the syllabus is not followed on the exam and secondly is that the questions are very basic; I do not know how to say it, but I think it is an embarrassment for the Society to be connected with it.

MR. LECKIE: I have heard that. The Congress, or at least that is what we are told, controls the Joint Board and the Joint Board has a significant input as to the way in which EAL and EA2 are structured. The feeling by the Board of Governors is that we have compromised as much as we can. At least on EA2 we have no trouble, or do not perceive a problem at the present with the pass mark. The structuring of the examination, yes a slight problem. There is an advisory board, though, that consists primarily of Fellows of the Society of Actuaries who work with the Joint Board in advising on the content and pass mark for those two marks, and hopefully, there is some restructuring of the Joint Board taking place at this time. Problems will be resolved. But if not, the Society will, if it has to, go on its own. I would not want to see that happen because I believe that a student who comes through a rigorous set of examinations, particularly if they take the pension option in the Society, ought to be qualified as a pension actuary in the United States. We will do all we can to preserve that. On the other hand, we are not going to compromise our exams too much.

MR. RICHARD DASKAIS: I am a consulting actuary in Chicago and also a member of the Advisory Committee that Robin just referred to. The Joint Board is really in charge of EAL and EA2. It is the Joint Board's exam to which the Society and the ASPA and the Casualty Society have become co-sponsors, but the exam itself must meet the objectives of the Joint Board, which are to enroll actuaries who perform those actuarial services that are required to be done by an Enrolled Actuary under ERISA. For that reason, the examination is much more practical and is no where near as deep as Betty Berni would liked to have seen it. The first two Joint Board exams given by the Joint Board after 1976, that is, after the grandfather period, were done entirely by the Advisory Committee without joint sponsorship. They were the same type of exams as the present exam. Many of us on the Advisory Committee recommended strongly to the Society that it not join in joint sponsorship, however, the Society Board of Governors decided to do so. I think that the problems that have occurred in the last three years were predicted, and the Society has to decide whether it wants to stay with the problems or pull out.

MR. WALTER N. MILLER: I don't think it is necessary for actuarial organizations to have to be constantly issuing statements of opinion and the like in order to maintain and perhaps enhance our professional identity. A lot of the work that can and should be done in this area is, you might say, inwardly directed at least in the beginning. One good example of this is what I would hope all would agree a significant body of work going on now with respect to the establishment of professional standards in the areas of dividend determination. The Society and Academy committees that are working on this question are in the process of expanding this to the subject of other non-guaranteed benefits and pricing. If our actuarial organizations can continue down paths like this, where we really have never been before and where there really is a great vacuum to be filled, and if we can continue to establish and enhance good, reasonable but rigorous professional standards, we will do a lot for ourselves and for the communities with which we interact.

MR. LECKIE: Thank you very much Walt. Walt is Chairman of the Society's Committee on Cooperation and Coordination which has the responsibility for our relationship with the other actuarial organizations. Are there further questions?

MR. THOMAS F. EASON: This might be a question for Robin or perhaps someone else on the panel. I'm told that the folks at LIMRA, represented in part by Joe Brzezinski, a member of the Society, are in the process of discontinuing the LIMRA long term lapse studies. I am also told that there is a proposal in the works to consider a joint study which would involve both long term lapse and mortality studies currently done in a variety of ways with the complicated organizational structure by the Society and done on a basis that some choose to believe is not all that timely. I wonder if you could tell us what the outlook is for coordination with LIMRA or other organizations in putting together those two studies? Who is responsible for moving forward with those types of ideas? It seems after discussion with a number of research oriented actuaries, that technically the process is quite feasible, that there might be some economies. Who is looking into it, and what are the implications for costs and professional research?

MR. LECKIE: The Research Policy Committee is looking into those now. They are probably in some abeyance while we await obtaining a full time Director of Research for the Society. Perhaps, Chuck, this might be a time for you to mention the fact that the Institute does quite a number of studies on expenses and mortality and so on. I don't know that is well appreciated to what extent the Institute does studies of this type. Probably more extensive than the Society.

MR. GALLOWAY: We do a number of things, particularly because we feel that it is important that Canadian data be available because of the problems when we try to import foreign data into work in Canada. As a matter of fact, on this particular question of lapses, we do have a subcommittee of one of our committees which is set up to study lapses. The subcommittee had recently recommended that it be disbanded because it was overlapping the work that LIMRA does, and we then discovered that LIMRA was planning to change what they are doing, so we are studying that particular problem ourselves. We are trying to broaden the work that we do, but one of our problems is, of course, that we do not have as broad a data base to work from. We are always dealing with scantier data when we try to get Canadian tables off, and that is a problem for us.

MR. LECKIE: Thank you very much gentlemen. On behalf of the audience, I would like to thank our two Presidents of the national organizations for taking the time to join with us in presenting their activities in this forum which we hope might be a little better form of communication than just reading them out at the lecturn.