

RECORD

A VIEW FROM THE BRIDGE—THE PRESIDENTS' LOOK
AT THE PROFESSION IN 1981

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The bridge of cooperation, coordination and joint activities among the actuarial organizations was established several years ago. How the bridge functions and fits together for the profession in 1981, within the framework of each organization's current activities and professional issues, will be discussed by the presidents of the Society of Actuaries, Conference of Actuaries in Public Practice, American Academy of Actuaries and Casualty Actuarial Society.

PART I: INDIVIDUAL ACTUARIAL ORGANIZATIONS

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 Bill Ferguson, President of the Conference of Actuaries in Public Practice, Walt Grace, President of the American Academy of Actuaries, and Jerry Scheibl, President of the Casualty Actuarial Society. Chuck Galloway, President of the Canadian Institute of Actuaries unfortunately had to send his regrets. I will do my best to sit in for him on behalf of the Institute.

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 discuss how our organizations function cooperatively in addressing the issues facing the profession.

Most of us will agree that the actuarial profession has a very important and worthwhile mission to carry out on behalf of society. The four of us are determined to see that that mission is carried out effectively through strong organizations committed to serving their members within a dynamic and public-directed profession.

Our approach today is to briefly acquaint you with the individual and joint activities of each actuarial organization and to give you some idea of how these activities fit together for the profession in 1981.

First, I would like to ask each President to briefly introduce his organization and discuss its purpose and current activities. We will start with the two national organizations, the Academy and the Institute, followed by the special purpose organization, the Conference, and finally, the two educational and research organizations, the Casualty Actuarial Society and

*Mr. Scheibl, not a member of the Society, is President of the Casualty Actuarial Society.

our own Society of Actuaries. Following the introduction of each of our organizations, we will be discussing some of the joint activities of our organizations and some of the current issues or problems which we are attempting to address.

I am not going to say very much in introduction of our individual panelists - their position as President of their organization speaks for itself.

All of us are practicing actuaries, or at least like to think we are qualified to be, and all of us are members of the Academy. Three of us are F.S.A.'s while Jerry is an F.C.A.S. Walt is employed by a large eastern mutual life insurance company, Bill is Chairman and head of employee benefits for a large consulting actuarial firm in Atlanta, Jerry is associated with a general insurance company in Wisconsin, while I am associated with a Canadian life insurance company.

Finally, while Walt is currently President of the Academy, he also has the distinction of having served on the Society's Board for 14 years, which I believe is one of the longest periods of service of currently active actuaries. Walt, tell us a bit about the Academy.

AMERICAN ACADEMY OF ACTUARIES

MR. WALTER L. GRACE: One of the purposes of the American Academy of Actuaries is to carry out 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.

AMERICAN ACADEMY OF ACTUARIES		
PURPOSE-PUBLIC INTERFACE: STANDARDS OF QUALIFICATION, CONDUCT, AND PRACTICE		
<u>Membership</u>	<u>Nov. 1980</u>	<u>Average Increase 1975-1980</u>
MAAA	6218	12%
EA--2614 (42%)		
Cross Membership:	CAPP	11%
	CAS	11
	SOA	72
	None of above	14

I should point out that the Academy's purpose has gradually shifted over the last several years. The Academy was originally formed to seek accreditation for the actuarial profession. This purpose has since evolved to the Academy's current purpose of public interface and involvement with professional topics.

We currently have a little over 6200 members, with 42% being Enrolled Actuaries. Our largest cross membership is with the Society of Actuaries, at 72%. 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.

Since the Academy is responsible for public interface, part of its ongoing activities include governmental interface, both with the Federal Government and the National Association of Insurance Commissioners (NAIC). We've also developed an active interface relationship in the accounting area with the American Institute of Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB). I will cover more about the public interface area later when we talk about expressing opinions. 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 Academy 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 Boards of the other actuarial organizations.

AAA Activity Highlights

1. Long-Range Planning Report
2. Operational Planning
3. Four Areas of Operation
 - a. insurance
 - b. pension
 - c. financial report
 - d. membership

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

We have organized the Academy into four areas of operation: 1) insurance; 2) pensions; 3) financial reporting; and 4) membership.

In the insurance area our Risk Classification Committee is working on a report to government on the economic impact of H.R. 100. Our Health Insurance Committee, chaired until recently by now President-Elect Bill Halvorson, has also been very active, as has the Social Insurance Committee.

In the pension area, the Academy is reviewing and preparing to respond to the discussion memorandum on pension costs by the Financial Accounting Standards Board.

Work in the financial reporting area has included some study of valuation of assets, and post-employment life and health benefits.

Finally, the membership area contains the Academy's Publications Committee;

the Professional Conduct Committee, currently working on Opinion S-3 (an exposure draft has been mailed); and the Qualification Committees. I might mention that exposure drafts about qualification standards for signing life annual statement blank and property and liability blank will be available shortly from the Qualifications Committee.

CANADIAN INSTITUTE OF ACTUARIES

MR. LECKIE: The national organization for Canadian actuaries is the Canadian Institute of Actuaries (CIA) - 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.

CANADIAN INSTITUTE OF ACTUARIES		
PURPOSE-See Declaration of Guiding Principles		
	June	Average
<u>Membership</u>	<u>1980</u>	<u>Increase</u>
Fellows	1128	5.8%
Other members	30	-7.4
Students	417	9.7
Correspondents	<u>45</u>	<u>-3.9</u>
Total	1620	6.4%
Cross membership: SOA over 95%		
CAS under 5%		
AAA 10-15%		

The Institute is the only body to have developed a substantive Mission Statement published in its Year Book, called a Statement of Guiding Principles.

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 are primarily 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.

The following chart shows some current internal considerations by the Institute. I will only comment on the first two. At the present time there is no experience requirement for Fellowship, but this is being considered and there may be a vote on the matter within a year. The second point may be of some concern to Americans who desire Fellowship in the Institute or who may already be Fellows. To be a non-resident F.C.I.A. 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 F.C.I.A. to be renewed.

CIA ACTIVITIES

Internal Matters

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

I would quickly like to touch on five current activities of the Institute.

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

First, Canada is going through a pension review very similar to the President's Commission in the United States. There was a National Pension Conference held last week for which a task force of the Institute prepared a number of papers. Second, lobbying is a little less obvious or organized in Canada than in the United States. Nevertheless, it is necessary for the Institute to maintain strong contact with both the legislators at the Federal and Provincial level and with the various civil services. Third, the Institute adopted recommendations for the valuation of pension plans last year and these are now going through a one-year trial period, prior to final reconsideration and approval.

Fourth, the major changes in financial reporting for life companies in 1977 has led to continued work by the Institute in the development of appropriate recommendations. There is also currently a joint task force with the Canadian Institute of Chartered Accountants to deal with a number of unresolved issues. Finally, the Institute has had a Committee on Economic Statistics which has been publishing historical data that has been useful for practicing actuaries.

There has been some request for the publication of predictions or projections but this is still in the debate stage.

CONFERENCE OF ACTUARIES IN PUBLIC PRACTICE

MR. WILLIAM A. FERGUSON: The objectives of the Conference of Actuaries in Public Practice as stated in its Constitution and Bylaws are:

DISCUSSION—GENERAL SESSION

- To advance knowledge of actuarial science.
- To promote and maintain high professional and ethical standards among its members.
- To enable actuaries engaged in public practice to assemble to discuss common problems.
- To promote the interchange of information among actuaries in the various actuarial organization.
- To keep the public informed of the profession and of the responsibilities of the professional actuary in public practice.

CONFERENCE OF ACTUARIES IN PUBLIC PRACTICE		
<u>Membership</u>	<u>Dec. 1980</u>	<u>Average increase 1975-80</u>
Fellows	430	4.7%
Members	109	3.8
Associates	<u>151</u>	-4.2%
Total	690	
Cross membership:	AAA 96%	
	SOA 65%	
	CIA 2%	

CAPP Activities

- *Meetings
- *Papers
- *Publications

What distinguishes the Conference from the other actuarial organizations? The obvious answer is that its primary activity is serving the needs of consulting actuaries. Its papers, meetings and publications stress the practical rather than the theoretical and emphasize topics of current interest. The Conference is relatively small in size which makes it fairly easy to have an informal atmosphere for discussions at its meetings which are generally attended by about 250 people.

Our membership currently totals about 700 with 96% of our members also being members of the Academy and 65% being members of the Society of Actuaries.

To be a Fellow of the Conference, an F.C.A., an individual must have specified educational requirements, acquire stated actuarial experience and be engaged in full-time consulting actuarial practice. Our current educational requirements are met if an applicant is a Fellow of either the SOA, CAS, CIA, the British Institute of Actuaries, the Faculty of Actuaries, or was a member of the Academy prior to December 31, 1978.

That's the date that the Academy changed its membership requirements to permit people who were enrolled actuaries only to become members of the

Academy. Thus, it follows that simply being an enrolled actuary is not considered by the Conference as adequate to meet its educational requirements.

The experience requirements are satisfied by 12 years of responsible actuarial work, with at least 5 of those years as a full-time consulting actuary. Experience as an enrolled actuary is considered responsible actuarial work.

The Conference is a fun group and its activities create the opportunity for the leading consultants in the country to match wits and exchange ideas.

CASUALTY ACTUARIAL SOCIETY

MR. JEROME A. SCHEIBL: The Casualty Actuarial Society (CAS) was organized in 1914. Article II of the Constitution states the purpose, which briefly includes the following:

1. To advance the knowledge of actuarial science as applied to the practice of insurance other than life insurance;
2. To promote and maintain high standards of professional conduct within the actuarial profession;
3. To provide and maintain high standards of competence within the actuarial profession.

CASUALTY ACTUARIAL SOCIETY		
PURPOSE-ARTICLE II, CONSTITUTION		
	Nov. 1980	Average Increase 1975-80
<u>Membership</u>		
Fellows	465	9.2%
Associates	<u>427</u>	<u>2.5</u>
Total	892	5.7%
Cross membership:	AAA	76%
	SOA	7
	CAPP	2
	CIA	3

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

The slower growth of Associates during the last five years is attributed to an examination format change the CAS made in 1975. Before 1975, only five exams were required for Associateship. We now require seven exams for Associateship. I should add that our Board strongly believes that achieving Fellowship should be the goal for those in the examination process.

At our main meeting this year, the CAS will admit 11 new Fellows and 39 Associates. We also currently have between 275 and 300 people in the exam process with four or more exams to their credit.

DISCUSSION—GENERAL SESSION

Very briefly looking at cross membership, you can see that 76% of CAS members are also members of the American Academy of Actuaries, with another 7% also Society of Actuaries members.

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. We also are reviewing election procedures; studying the need for a casualty contingencies textbook; examining the special interests needs of our members, although from a different direction than the Society of Actuaries' Sections concept; and developing papers.

CAS Activity Highlights

- *Reserve certification with AAA
- *Election procedures currently under review
- *Casualty contingencies textbook
- *Special interest needs
- *Seminars
- *Development of papers

Something new for the CAS this year was conducting seminars for our members. We've scheduled two seminars on risk classification this year. We are also co-sponsoring a seminar on casualty loss reserves with the Academy. The success of this loss reserve seminar will influence a decision to continue it on an annual basis.

SOCIETY OF ACTUARIES

MR. LECKIE: The Society's purpose is briefly stated in Article II of the

SOCIETY OF ACTUARIES		
PURPOSE—ARTICLE II CONSTITUTION		
	Nov. 1980	Average Increase 1975-80
<u>Membership</u>		
Fellows	4189	8.5%
Associates	3508	6.0
Total	7697	7.3%
Cross membership:	AAA 59%	CIA 20%

Constitution. The purpose is rather general, and because of that, a few years ago the Society's Executive Committee and Board developed a Statement of Planning Objectives for the Society. This statement says that the Society of Actuaries exists for the following purposes: To provide education facilities, programs and standards; to provide opportunities and facilities for professional research; to provide a membership institution for actuaries for pension, life and health insurance and related fields; to provide for fostering public trust in the profession, its members and their work; and together with other actuarial organizations, to acquaint the public with the actuary's work. This Statement of Planning Objectives has also served as a starting point for statements of educational and research policy planning.

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 five years, we have 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.

Most of you already know that the Society is fairly active. Two of our

SOA Ongoing Activities

- *Examination restructuring
- *Seminar programs
- *Papers
- *Meetings
- *Experience studies
- *Committees

busiest areas involve examinations and seminar programs. In continuing education, we have an active meeting and seminar program. Papers published annually in the Transactions also add to our knowledge in the actuarial field.

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

Under activity highlights, career encouragement is presently under study.

SOA Activity Highlights

- *Career encouragement
- *Sections
- *Dividends
- *Valuation & solvency
(inflation)

The current Board is concerned about the supply and demand of actuaries. We are asking questions like: Are we bringing the people into the profession? The right number? Are these people receiving the right training? On the demand side, will enough jobs be available for those encouraged into the profession? Or will jobs go unfilled? Are there new areas of

application for actuaries? To answer these questions, the four career encouragement committees are studying the future development of our profession.

Dividends and valuation are two more important highlights. The recent work of our Committee on Dividend Philosophy has been incorporated into Academy recommendations and is also being considered by the Canadian Institute. The Committee is now working on participating business of stock companies. Dividend distribution and illustration involves complex actuarial principles and problems, but these must be resolved to preserve principles of participation and equity.

Another SOA activity centers on the Committee on Valuation and Related Problems, which is studying solvency and balance sheet presentation in an uncertain economic environment. Until recently, we were operating under valuation principles which were formulated by our forefathers and suited to a period of reasonable stability and predictability. However, our world has changed, and now we need an underlying actuarial rationality to permit the insurance industry to function effectively, with continuity and equity. This hard working committee is addressing that challenge.

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

Society members have already received a brochure explaining what Sections are and how they may be formed.

I want to emphasize that when the Society's Board approved the Sections concept, it was not moving toward specializing or fracturing the Society. The Board felt a need existed for a bottom-up mechanism so that members could develop their interests within the Society and further develop our profession.

At present, about 500 health actuaries are in the process of forming a Section, and have scheduled an organizational meeting for the Society's Annual Meeting in Atlanta.

PART II: BRIDGE OF COOPERATION AND COORDINATION

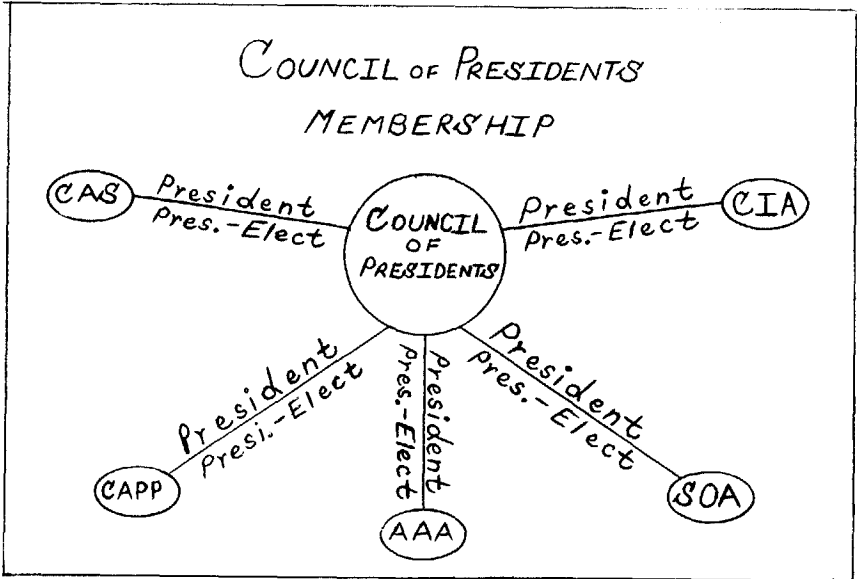
MR. LECKIE: Now that we have a better idea of how each actuarial organization functions independently, I would like to touch on those areas we have in common, where we have built a bridge of cooperation and coordination.

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

There are mainly four such areas: The Council of Presidents, Joint sponsorship of examinations, current professional issues which affect us all, and the future.

THE COUNCIL OF PRESIDENTS



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.

- | COUNCIL OF PRESIDENTS' ACTIVITIES |
|--|
| • Quarterly Meetings |
| • Coordination Between Organizations |
| • Joint Committees |
| • Dialogue with AERF; AAA Professional Conduct Committee |

The staff work for the Council is done through joint committees. Can you describe these, Bill?

MR. FERGUSON: The task forces established by the Council of Presidents and any permanent joint committees arising out of the work of the task forces usually have an equal number of members from each of the participating organizations, and the committees elect their own chairman. A member of

the Council of Presidents is designated to be the official liaison to the committee. At the present time, there are four activities of this type under way:

- The Joint Committee on Pension Terminology. This is the committee that produced the report which was exposed to all members in the last month or so. We expect its final report to be available very shortly.
- The Joint Committee on Operational Economies. This committee is responsible for looking into administrative and operational overlaps and potential savings, both in the short-term and in the longer-term future.
- The Joint Committee on Discipline Procedures. This committee recently issued its final report which was essentially a very positive report on the disciplinary procedures followed by each of the organizations and of the extent of cooperation.
- The Joint Committee on Public Relations. This committee, recently converted from a Task Force, is responsible for the development of a public relations plan for our profession.

Examples of past committees are the Joint Committee on Independence and the Joint Committee on Professional Conduct.

MR. LECKIE: Two other examples of our joint efforts through the Council of Presidents are professional conduct, which we will be discussing in a moment, and the Actuarial Education and Research Fund (AERF), which is a separate organization governed by a Board of Trustees consisting of three members from each of our organizations. AERF reports regularly to the Council of Presidents.

The Council meets four times a year. Walt, do you think the Council is worthwhile?

MR. GRACE: I have found the Council of Presidents to be highly worthwhile. The key ingredient in the Council of Presidents is the face-to-face contact on a highly informal basis. We meet four times a year and each president rotates as chairman of a meeting. We have a wide-ranging agenda and our discussions are open and direct. We have no hesitancy in discussing the most sensitive issues and, through a judicious mixture of critical comment and good humor, we are often able to resolve even the most contentious questions. The opportunity for discussion before positions harden is vital to our success. Most importantly, I think we learn appropriate respect for the other organizations' positions on issues.

MR. SCHEIBL: I think the Council of Presidents provides a forum to discuss topics on a rational level and to resolve issues before these become major problems. From the Casualty Society's viewpoint, the Council has provided a forum for respect and a way to discuss sensitive issues.

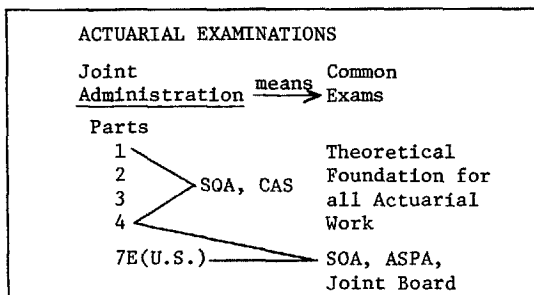
Also, the Council has provided an opportunity for a small group like the Casualty Society to learn from the other organizations' experience. Because we are small, we are experiencing some growing pains, and we can benefit from experience of the other groups. Perhaps the main reason the Council has functioned so well is that it has avoided any pretext of being a super-organization governing the profession. It is not an organization at all, but merely a gathering to serve its purpose as an effective link for communication and cooperation among organizations with certain common interest.

MR. FERGUSON: With the shift of emphasis within the actuarial profession from "reorganization" to "cooperation," the Council of Presidents has become a very important entity in fostering cooperation. Its function is really quite simple -- it aids in creating better communication and understanding among the participating groups -- and occasionally it undertakes a special project through a task force or joint committee, if the joint approach is preferable to the activity being performed by a single organization.

One of the problems that the Council must address relates to participation on the Council of other organizations which form and purport to represent actuaries -- groups like ASPA, AIR (the new group being formed in actuaries in regulation) and others which are bound to arise in the future.

JOINT SPONSORSHIP OF EXAMINATIONS

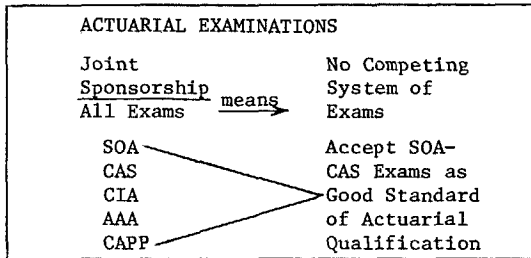
MR. LECKIE: The four organizations represented here plus the Canadian Institute jointly sponsor all of the examinations of the Society of Actuaries and the Casualty Actuarial Society. Jerry will give some of the reasons for joint sponsorship, but first, I will try to explain what joint



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

Now, Jerry, perhaps you could explain the reasons for joint sponsorship and what some of the problems with joint administration are.

MR. SCHEIBL: The Casualty Society has much to gain from joint sponsorship.



It provides unified administration and a consistency in defining basic actuarial qualifications, regardless of how individuals branch out, either in life, health, casualty, etc. With joint sponsorship, no one can say that exam candidates in any one body took the easy route.

Joint sponsorship also contributes to mutual respect among the different actuarial societies and unifies the profession. Also from the Casualty Society's viewpoint, joint sponsorship is a more economic way of running the exam business. It is very difficult for a small society like ours to establish the number of exam centers and proctors, etc. that are needed to efficiently administer the examination process.

However, one problem with jointly administering exams is that one group may sacrifice some control over exam content. An example of this is Part 4. The CAS has problems with questions which examine our students to the extent that they would qualify as Enrolled Actuaries. In my opinion, Part 4 has expanded beyond the theoretical foundation for all actuarial work. This problem is currently under study by the Education and Examination committees of both Societies.

MR. FERGUSON: The Conference is a joint sponsor of the actuarial examinations, but is not involved in administration. The educational requirements for membership in the Conference relate primarily to the examinations of the Society of Actuaries and the Casualty Actuarial Society. Thus the Conference is pleased to jointly sponsor these examinations and has great interest in maintaining and improving present standards. Membership in the Academy is no longer adequate for membership in the Conference, nor is membership in ASPA.

MR. GRACE: The Academy of course supports joint sponsorship, because it provides a common front within the whole profession.

CURRENT PROFESSIONAL ISSUES

American Society of Pension Actuaries (ASPA)

MR. LECKIE: Walt, you refer to a common front within the whole profession but does that include ASPA or any other organization that might spring up claiming to represent actuaries? The American Society of Pension Actuaries (ASPA) 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 seven examinations for a Member and two

AMERICAN SOCIETY OF PENSION ACTUARIES			
<u>Membership</u>	<u>Total 79</u>	<u>No. of</u>	<u>% of</u>
	<u>Yearbook</u>	<u>EA's</u>	<u>EA's</u>
FSPA	57	54	94.7
MSPA	500	370	74.0
Other	<u>1221</u>	<u>10</u>	<u>0.8</u>
Total	1778	434	24.4

additional examinations for a Fellow. The "other" category includes Associates that do not require examinations and Certified Pension Consultants that require three examinations.

Walt, what can you tell us about ASPA?

MR. GRACE: I'm very glad this topic is on our agenda, because I think there is a tremendous misunderstanding throughout our profession about ASPA, and I think we have a golden opportunity to get certain facts out on the table to help clear the air.

How did this misunderstanding arise? It had its roots in the early days of ASPA's existence, during the days of ASPA's one-question, open-book exam, when qualified actuaries were very properly concerned that a whole bunch of people who were not qualified were calling themselves actuaries and were competing for work with qualified actuaries.

As you have just pointed out, Robin, ASPA has come a long way since those early days, and we are now confronted with a fairly impressive organization. However, many of us have not yet erased our old thoughts about ASPA. We should do this, however, and look at the current facts and then determine what our best course of action is.

What are the current facts? Fact 1 is that ASPA exams are recognized by the government, in terms of their participation with the Society of Actuaries and the Joint Board in the Enrolled Actuary exams. Fact 2 is that there are really actuaries in ASPA because the government says so. You can see from the chart that about one-quarter of the members are Enrolled and the government says Enrolled Actuaries are actuaries.

So there are some positive things that can be said about ASPA. Their exam system is much stronger now, with tougher pass marks than in the past.

A majority of their members, however, are not actuaries and most of these probably never will be actuaries. These are pension consultants pure and simple, and maybe that's one of the things that troubles many of us currently about ASPA --- if they would change their name to American Society of Pension Consultants and Actuaries, such name would certainly much better describe the nature of their organization and help us put to bed our old thoughts that somehow there are a bunch of people over there doing actuarial work who are not qualified.

Let me say a bit about their pension consultant effort. I understand it is very effective and provides a real service to their members. They are most impressive in the small plan area.

They have an effective lobbying effort, although many of us observe that they seem to be most effective in lobbying on issues that we think are mostly nonactuarial in nature -- more lobbying on pension consulting matters than on what we consider to be actuarial matters.

What has the Academy done about ASPA? First, well over 300 ASPA members have become members of the Academy through their Enrollment Status, including their president, Charlie Leggette. The Academy, therefore, has a constituency it should recognize, and we have done so last fall by putting a former ASPA president on our board. Also, we have opened up contact at the presidential level. What we are trying to do is simply to get to know each other better, to understand each other's organization better, and to explore ways the organizations might cooperate together. Not just the Academy president, but both Bill Ferguson and Robin Leckie have also been involved in some of these discussions.

Where do we go from here? I don't know, but I hope we continue to talk to each other. ASPA is not going to go away, and it's not very productive to keep ignoring them on the basis of an old emotional argument. I hope through talk and better understanding we'll be able to find a level of cooperation that is to everyone's benefit.

MR. SCHEIBL: The Casualty Society really has little to say about ASPA, but we are concerned about ASPA in the sense that a precedent could be set here. Any group could at any time organize its own actuarial society and designate its members as actuaries by whatever standards or lack of standards it chooses.

MR. FERGUSON: ASPA has many things going for it. Its leadership is aggressive and has clearly beaten all of the recognized actuarial organizations in the public relations game. Also, ASPA is not reluctant to address non-actuarial issues whereas the existing actuarial organizations clearly avoid matters that are not actuarial in nature.

There are some important facts to keep in mind when we think of ASPA, the American Society of Pension Actuaries, as an actuarial organization:

- * Only 24% of the membership are Enrolled Actuaries and thus have any claim to be considered actuaries.
- * Few of the actuaries in ASPA are a product of their current examination structure.

Professional Conduct

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

All of our organizations have both Guides and Opinions and these are virtually identical. In addition, the two national organizations have further codification of actuarial practice in the form of Recommendations and Interpretations.

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 Board;
 Recommendations, Interpretations-AAA, CIA

Current Work

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

In the past, each organization developed its own guides for professional conduct. Under the current structure, new or revised guides and opinions on professional conduct are developed by an Academy committee, with official representatives from the governing boards of the other three organizations. All of you should have received the latest work of this committee. The exposure draft of the professional conduct opinion entitled, "Professional Communications of Actuaries, Opinion 3."

MR. GRACE: Two or three years ago there was a Joint Committee on Committees, which concluded that the elements of professionalism and professional conduct are essentially the same for all fields and types of actuarial practice. This means that opinions concerning professional conduct should, if at all possible, be uniform throughout the organizations and the new structure was set up to accomplish this.

MR. FERGUSON: Every effort should be made to prepare opinions to the satisfaction of each actuarial group's Board, so that these Boards can accept or reject the opinion, without feeling a need to modify them. It is a worthy goal to strive for a standard Code of Conduct. So far this process has worked.

MR. SCHEIBL: The Casualty Society also supports joint professional conduct efforts. However, I would like to emphasize that we, just as the other groups, still retain the right to discipline our own members. For example, if the Academy feels discipline is not warranted for a CAS member, but the CAS does, the action of the Academy should not deter the CAS from taking whatever action it deems appropriate.

Expressions of Public Opinion

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

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

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 constricted to effectively thwart, and quite properly so, most expressions of public opinion. In fact, there has been only one expression of public opinion, so far as I am aware, in the last 15 years. That was the Munson Committee Report on Cost Comparisons.

Some of the more interesting debates by the Board are not whether an opinion should be expressed but whether a particular statement or report is an opinion or a fact. For example, was the Ormsby Report which presented the 1980 CSO Table an opinion or not? And, of course, was the Society's involvement with the Academy in the preparation of the Manhart Brief an expression of opinion or a factual presentation? In neither case did the Board consider the matter an opinion.

Jerry, what does the Casualty Society have to say about expressions of public opinion?

MR. SCHEIBL: Before 1968, our constitution precluded taking any partisan attitude on any questions relating to insurance. Our constitution has been amended to permit expression of opinion, but on a restrictive basis. An affirmative vote of 90% of the Fellows in a mail ballot is required before the CAS can express an opinion as a body. This makes it virtually impossible to achieve a consensus.

We do permit expressions of opinion by committees or the Board of Directors. In the case of committee expression of opinion, the Board must authorize the committee to express opinions. This authorization should in no way be interpreted as identifying the committee opinion as an opinion of the CAS.

The need for expressions of opinion generally arises from public issues. In recognition of our role as a learned society, we look to the Academy as being the spokesman for the profession in such cases.

Perhaps a more proper role for the CAS is to develop a set of commonly recognized actuarial principles that would set forth the basic truths of our profession. These principles would represent fundamental axioms and theorems. We could then express opinions which would interpret these standards and which, standing alone, would not take on any particular political significance.

MR. GRACE: As I mentioned earlier, the basic thrust of the Academy has changed over the last few years, and so now one of its main functions is the expression of public opinion. We call these Academy Statements. Each Newsletter lists the statements made currently. Typically, the Academy might make about 30 statements in a year's time. Who are they made to? Let me just name a few from our recent Newsletter:

- NAIC Life Insurance (C3) Subcommittee
- House Committee on Interstate and Foreign Commerce (Risk Classification)
- AICPA
- International Accounting Standards Committee
- Financial Accounting Standards Board

- President's Commission on Pension Policy
- Other Governmental Agencies, such as the IRS and the SEC appear on the list from time to time.

When a statement is made, it is usually a statement of the Committee itself. Once in a while a statement is signed by the President on behalf of the Academy. More rarely, a statement may be endorsed by the Board of Governors.

MR. FERGUSON: The Conference, both directly and indirectly, supports the work of the Academy in this area. The input of the Conference to the Academy is assured since more than 95 Conference members serve on Academy committees or the Academy Board. The Conference as an organization is independent, of course, and is likely to issue its own statements from time to time on matters it considers to be of great importance. This could be done either in support of an Academy Statement, but can also be done if serious differences with an Academy Statement should exist.

MR. LECKIE: 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 dealing with pensions.

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

THE FUTURE

MR. SCHEIBL: As a profession, I don't think the groups will merge into one. Our talks on reorganization were not wasted. We learned a lot from each other, and I see more continued cooperative activities, but no merger.

For the Casualty Society, I expect our membership to double in the next 10 years, with a greater proportion of our members in consulting, government regulation, and academia. I also see a larger proportion of our members becoming Fellows or Associates of the Society of Actuaries.

I think we will also see published standards for casualty reserving, rate-making and other actuarial subjects. These will be viewed as the norm for the industry.

MR. FERGUSON: The Conference is committed to an independent existence and to an expanded program of activities of interest to actuaries in public practice. I think the Conference will maintain its emphasis on the practical, rather than the theoretical, and is likely to spawn additional educational seminars and meetings.

The Conference is the only actuarial organization where the common bond relates to employment status -- to being in public practice together. I expect that the Conference will strengthen the "tie" that binds its membership together both through the enhancement of educational activities and through safeguarding the interest of its members.

For the profession as a whole, there are both problems and opportunities. I think that merger of any of the existing actuarial organizations is out for the foreseeable future and the spirit of cooperation is in. In fact,

in my judgement cooperation is essential to the survival of the profession as we now know it. Ours is a small profession with limited resources, and we need to better inform the public of our skills, especially in those emerging fields where our experience and skills fit. I think we will see a change in the professional role of the actuary. The actuary is basically a problem solver. What is happening is that the problems are changing. To maximize its future the actuarial profession needs to expand its scope, change its emphasis and stake out its turf through public relations, strong leadership and a strong performance record.

MR. GRACE: I see the actuarial profession growing more public. Ours has always been a public interest profession, but I see us being more and more open about it. Why do I call ours a public interest profession? Because we use our actuarial knowledge to produce a result that must be sound from the standpoint of the public interest. Whether it is designing and funding a pension plan, developing a life insurance contract, or determining the loss reserves in a casualty insurance company, we know that the end result of our mysterious calculations must have the public interest in the forefront.

As we grow more public, it will be increasingly apparent that we must be very careful to explain to the public what an actuary does. We need a sound and effective public relations program. To implement this will require the enthusiastic cooperation of all of the actuarial organizations. That's just another reason why it is so important that we have built this bridge of cooperation and why we must keep that bridge in good repair.

Also, as we grow more public we must pay special attention to the requirements of professionalism. We must have an effective self-regulatory process or there will be those who will push that we be regulated by government. This means that professional conduct, qualification standards, and standards of practice must be continually in our minds. Again, we must have a cooperative effort between the organizations to help us develop a self-regulatory process that is responsive to the needs of the public.

How will we make out in the future by having several actuarial organizations in the country? I think our profession can be well served by having these several organizations as long as we clearly define who is doing what; as long as we cooperate and coordinate well with each other; and as long as we avoid duplicative and competing efforts. Our profession still has a lot of growth left in it.

MR. LECKIE: I think we are passing through a very desirable reinforcement of our organizations at this time. Each of our organizations is taking time to clarify its purpose and its mission, and to strengthen the services we provide to our members and to the public.

In the case of the Society, it is important that we maintain the integrity of the F.S.A., give it further substance, provide a career that is challenging and rewarding. The Society is working hard on strengthening its services to its members, i.e., sections, meetings, publications, seminar programs, relationships with the universities, and research. The Society will be working on all of these in the future to make our organization stronger.

I agree that there is no need for merger at this time. Cooperation and

coordination is what will serve the actuarial profession most effectively in the United States at this time. I believe, however, that our profession must become more soundly structured for the long term. At some stage there will be the need to have some type of overall definition overriding actuarial status in the United States, which will then define the various roles of the different actuaries and their different interests, needs, and expressions to the public.

All we can do, and all we have to do now, is continue in cooperation, coordination, and strengthening of our organizations. The future will take care of itself and we will be working from strength.

