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EDITORIAL

ACTUARIES of Canadian life insurance companies will wake up one morning in 1978 to find that they have a great deal more freedom in making their valuations than they had in the past. This will come about as part of a substantial revision to the federal insurance laws; the amending act (25-26 Elizabeth II, Chapter 39) was assented to on 14th July but certain parts, including that on life insurance reserves will not become effective before the year-end, pending discussions with the industry.

Under the amended laws—which also apply to non-resident companies—there will be no prescribed tables of mortality and no prescribed interest rates. Instead, the interest rates and rates of "mortality, accident, sickness or other contingencies" will be such as are: (i) "in the opinion of the valuation actuary . . . appropriate to the circumstances of the company and the policies in force, and (ii) acceptable to the Superintendent."

Thus the primary responsibility for choosing the valuation bases will rest on the valuation actuary. Although, in the past, permission to depart from the prescribed bases could be applied for, these were exceptional cases; now the exceptional cases will be those where the Superintendent finds the bases unacceptable.

Bernard Shaw tells us that "liberty means responsibility; that is why so many people dread it." We are sure that Canadian actuaries will prefer their new liberties and responsibilities to the comforts and constraints of the past.

A further change in the law requires that the appointment of valuation actuary be made by the board of directors, and reported to the Superintendent within fifteen days; another provides that the auditor may accept "any reserve . . . in the annual statement in respect of which the valuation actuary has given the opinion" mentioned above.

There are many other changes in the laws affecting valuation methods, asset values, and so on. The whole represents the culmination of several years of work on the subject of financial reporting. Its development has been mentioned in the Annual Reports of the Superintendent since 1972 and has been the subject of extensive study by professional and insurance industry bodies over the past several years. The Committee on Financial Reporting of the Canadian Institute of Actuaries has been closely involved. It is sponsoring a seminar in late September at which proposed standards for the guidance of actuaries in life insurance valuations will be presented for discussion.

The Actuary looks forward to carrying in its columns, reports and correspondence on this most interesting subject.

Colin E. Jack

LETTERS

The Professional Actuary

Sir

Sidney Kaufmann's letter in the May 1977 issue leads me to write you on the same general topic of who is an actuary. I agree that the outcome of the ERISA and the Joint Board's regulations about enrolled actuaries was disappointing. However, if the profession had been more unified when the law and regulations were being drafted, the result might have been better.

This is why the Society and the other actuarial organizations are trying to find some way of unifying the profession so we can speak with one voice to the regulators. But I want to point out that unifying the profession means what the words say. It means we have to develop an organization that will admit and accept all bona fide actuaries in a spirit of good will and openness.

It is too late to think that the only actuaries in the United States are those who have passed the Society exams. There are competent actuaries who have never taken the exams and never will. If they are doing actuarial work, we should find a way to get them into the mainstream of the actuarial profession rather than try to exclude them.

The question whether an individual is an actuary should not be answered on the basis of whether the exams he took were sufficiently difficult. The basis for the answer should be whether the individual can do responsible actuarial work.

As to Enrolled Actuaries, it seems to me that if a person has been recognized by the federal government as being capable of doing responsible actuarial work, then it is desirable to bring that person into the actuarial profession and make him feel at home. Otherwise we are setting the stage for a further splintering of our profession, which is too small to support a lot of competing organizations, or to demand recognition by the general public of subtle and perhaps even inconsequential differences in training and experience.

What I've said so far doesn't mean that our problems in dealing with government will go away if we organize the profession more rationally. But I think an appropriate reorganization of the profession should help solve the prob-

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