



SOCIETY OF ACTUARIES

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# The Actuary

The Newsletter of the Society of Actuaries

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## FINANCIAL REPORTING SECTION

By William Schreiner

The Life Insurance Company Financial Reporting Section will celebrate its fourth birthday in October with over 1,500 members. The interests of the Section members are wide-ranging and include statutory accounting, the valuation actuary, U.S. GAAP accounting, income tax accounting, Canadian accounting, management reporting and so forth. The majority of the membership is employed by insurance companies (77%), with a significant minority (19%) in the consulting field; Canadian and non-North American members make up 16% of the Section.

Because of the diversity of Section membership and interests, nominations to the Section Council — the Section's nine-member governing board — have followed an objective of providing representation of various membership segments. Thus, the current Council is composed of three individuals who are employed by stock companies, three by mutual companies, one by an accounting firm, one by a consulting actuarial firm, and one by an industry association; two of the members are Canadians.

During the first three years, the Section's major efforts have been directed towards providing educational and informational programs for the benefit of the members. An active and effective program committee has contributed significant tracks relating to financial reporting to the spring and annual Society meetings programs. For example, this fall's Chicago meeting will contain 18 programs developed by the Life Insurance Company Financial Reporting Section. Included in the lineup are: capital management, mergers and acquisitions, New York's new annuity

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## CONTINUING EDUCATION CONTINUES TO GROW WITH SOCIETY

By John E. O'Connor, Jr.  
Executive Director

The growth and evolution of the actuarial profession in recent years have created an increasing interest in continuing education and professional development.

In response to this interest, the Society of Actuaries added a Continuing Education Department to its office structure in January 1985. Barbara Choyke, a continuing education professional, was hired to serve as the Society's Manager of Continuing Education. In her capacity, Barbara serves as a liaison to the Committee on Continuing Education, the Services to Members Policy Committee, the Program Committee and various Sections by developing and recommending continuing education programs and policies. Her additional responsibilities include: developing seminar topics and presentation styles, recruiting faculty and conducting research in continuing education.

Under Barbara is Ann Polodna, the Seminar Coordinator, and Joyce Paschall, the Seminar Assistant. Ann oversees the administrative work of seminars by coordinating hotel arrangements, brochure preparation, handout materials and marketing strategies. Joyce assists both Barbara and Ann in the administration of the continuing education program and serves as the registrar for all seminars.

Since 1980, the Seminar Program has grown from an offering of 10 topics in 21 locations to last year's total of 17 topics in 41 locations. Attendance also has increased by over 40% in the past five years.

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## EXPOSURE DRAFT OF LIFE INSURANCE COMPANY VALUATION PRINCIPLES

by Gary Corbett

The Committee on Life Insurance Company Valuation Principles (COLICVP) has recently mailed to Society members an Exposure Draft of Valuation Principles for Life Insurance Companies. Comments on the draft principles are to be submitted by July 1, 1986 to Robert D. Shapiro, Merrill Lynch Capital Markets, One Plaza East, 330 Kilbourn Avenue, Milwaukee, WI 53202.

In this article I want to:

- 1) Encourage members to comment on the draft principles.
- 2) Encourage discussion of the Society's role in identifying, developing and publishing actuarial principles.

COLICVP was charged by the Board of Governors to develop principles applicable to the valuation of life insurance companies for the measurement of solvency and solidity. Developing the principles themselves was a difficult enough task but, as the first Society committee to be charged with the development of actuarial principles, the Committee was forced to wrestle with such basic questions as: What are principles? Can principles be distinguished from standards and practices?

In early 1985 a Task Force on Actuarial Principles was charged by the Board with recommending the Society's role in establishing actuarial principles and how this role was to be performed. This Task Force submitted a report to the Board in August 1985 recommending that the Society "pursue explicit expression of actuarial principles through a promulgation process". The Society would thus add promulgation of actuarial principles as a third activity to its

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## Continuing Education

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This Spring's seminar program offers 10 topics in 21 locations as well as two Section-sponsored meetings. The Individual Life and Annuity Product Development Section presented "Interest Sensitive Product Development: Practical Considerations", and the Reinsurance Section sponsored "Underwriting and Actuarial Implications of AIDS and AIDS-Related Illnesses", both in conjunction with the Boston Spring meeting.

A recent trend in the Society's continuing education effort has been toward co-sponsorship of symposiums with sections, committees and other associations. These symposiums offer the opportunity for a larger audience to benefit from a panel of faculty with their own expertise in a particular topic. Last year's Symposium for the Valuation Actuary attracted 288 attendees and the Healthcare in the Future symposium was attended by 320 actuaries and hospital administrators. A bonus to these meetings are the transcripts which are produced afterward which further add to their educational benefit. Both programs will be repeated in the Fall of 1986 and Spring of 1987, respectively.

Seminar development begins with the assignment of topics and then recruitment of faculty. A question most often asked by the membership of the seminar planning process is why a particular date or location was selected. Locations are often selected based on membership and audience distribution. The highest concentration of Society members exists in Eastern and Central U.S. cities (30% and 20%, respectively). A larger percentage of seminars is held in these cities; however, every effort is made to schedule seminars in Western, Southern and Canadian cities. A major concern of date selection is to avoid other actuarial meetings and holidays; however, sometimes hotel and faculty availability are determining factors.

A Faculty Training Program designed to "fine tune" seminar presentations is in progress. Barbara plans to improve the quality of seminars by working more closely with faculty and recommending effective presentation styles, proper use of audio/visuals and other techniques. In addition to the Faculty

## DEATHS

Herbert C. Dunkley	ASA 1932
H. Linden Sharpe	FSA 1939

Training Program, members will see more workshop-type seminars offering "hands-on" experience and training held this Fall and next Spring.

Because many seminar topics deal with issues relevant to accountants as well as actuaries, the Illinois Department of Registration and Education for Public Accountant Continuing Education this year approved the Society as a sponsor for granting CPE credit. Actuaries or CPA's employed by accounting firms who must satisfy continuing education requirements can now receive CPE credits at Society seminars.

Within the year, members can look forward to the PAT Series (Professional Actuarial Training), which will be a series of modules or courses providing an update on basic education issues melding theory with practice. The PAT Series will be repeated each year and have a set curriculum.

If you would like more information on present or upcoming continuing education programs, please contact Barbara, Ann or Joyce at the Society office. □

## Exposure Draft

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already accepted responsibilities for education and research. The Task Force believed that the expression of actuarial opinions "would allow for better focus of educational developments with regard to appropriate developments in the underlying fabric of actuarial science. It would add an active dimension to the basis of education, practice definition, and professional stature".

This recommendation was discussed by the Executive Committee in August and by the Board in October. Some concerns raised were:

1) The promulgation of principles would inhibit progressive actuarial thinking and practices.

2) Principles cannot be separated from standards and therefore should be left to the standard-setting national bodies.

3) A statement purporting to be a principle is either obvious and thus un-

## LETTERS

**Voting**  
Sir:

Your article on the exercising of voting rights by actuaries in the Society's election in recent years did a disservice to many actuaries. For a number of us, the changing times have brought our own professional careers into byways that are well outside the main stream of actuarial thought. This does not imply any lack of interest in or respect for the profession which underlies our careers; it only signifies that actuaries, like other professional groups, are made up of a diverse assembly of multi-faceted individuals

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necessary, or not obvious and thus not an accepted principle.

4) Enforcement of adherence to principles is inappropriate to a scientific organization.

In addition to the supporting reasons advanced in the Task Force report, others were:

1) The Society cannot permit itself to be placed in the position of educating actuaries in practices which may not be based on sound actuarial principles.

2) Enforcing adherence to Society promulgated principles could be the responsibility of the standard-setting national bodies. Members of these bodies, in setting standards, would be required to follow actuarial principles, as promulgated by the learned actuarial bodies (CAS and SOA).

The Board did not accept the recommendation of the Task Force. However, the Board subsequently approved the exposure by COLICVP of the valuation principles, recognizing that any promulgation of these principles would be dependent on the Board's ultimate acceptance of the major recommendations of the Task Force.

The Executive Committee and the Board will be discussing the Society's role in promulgating actuarial principles later this year. We shall also consider the possibility of scheduling a panel discussion on this topic at the Annual Meeting. To aid us in these discussions, we would appreciate your comments. Please send them to me at my *Yearbook* address by Aug. 1. I will ensure they are brought to the attention of the Executive Committee and of the Board. □