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THE ORIGIN OF THE SOCIETY OF ACTUARIES

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A COMPLETE account of the origin of the Society of Actuaries would probably include a review of the history of the founding of the Institute of Actuaries of Great Britain in 1848 and formation of the Faculty of Actuaries in Scotland in 1856, and the later influence of their members, especially those who migrated to the United States and Canada, on our profession on this side of the Atlantic. It would no doubt also include the story of the formation in 1889 of The Actuarial Society of America and its early years. However, for our present purpose it should suffice to limit the account to developments dating back to 1909 when the American Institute of Actuaries was organized. A later date would hardly be appropriate since a review of the record of the past forty years indicates clearly that practically from the organization of the Institute eventual merger of the Society and Institute was inevitable.

Reminiscences of the American Institute's charter members about events leading up to its organization suggest that in many respects those events repeated in a different setting the circumstances which led to the formation of the British Institute and the Actuarial Society, and that the labor pains of each were remarkably similar.

When the American Institute was organized in 1909, the Actuarial Society was only twenty years old, and one would judge, from accounts, it had only recently reached maturity. Its members were largely associated with eastern companies. The Armstrong Investigation (1905) and the resulting legislation doubtless caused the members to concentrate their attention and time on their companies' business. In the meantime striking developments were under way in the West and South.

In his Presidential Address at the final meeting of the Institute, J. Gordon Beatty, after referring to "the large number of legal reserve life insurance companies which had sprung up in the West and South in the early years of this century," went on to say:

Prior to that time the business had been concentrated mainly in the large eastern companies, and, as a result, most of the actuarial talent was also concentrated in the East. It was highly desirable that those who were carrying actuarial responsibilities in the new companies should have a convenient forum for discussion of their problems because these differed in many ways from those of the large eastern companies. For example, most of them used some form of

preliminary term valuation, whereas the large eastern companies clung to the net level premium system. It was also desirable that the prestige of all company actuaries be enhanced as much as possible within their own companies. Moreover, there was a great need for a central reference library—indeed, the library was such an important feature of the new organization that the librarian was an important officer of the Institute.

The result was summarized in the following comments in the 1909 Inaugural Address of the Institute's first President, Lucius McAdam:

So the idea of a new actuarial society in this country has been slowly growing, until with the formation of many new Life Companies in the South and West it was found that more Actuaries were needed than were readily obtainable from the factories of the East. The Western and Southern universities and technical schools had meanwhile sent forth young men who soon equipped themselves for the work in hand. These young actuaries found themselves fully competent to understand the actuarial formulae, to compute the necessary rates and reserves and to prepare the elaborate tables of guaranteed values originally devised by the older actuaries and since embodied in the statutes of the several legislatures.

.....

Hence this Institute has been formed in the same manner as the Actuarial Society of America was originally founded, by the coming together of the working actuaries of many new companies now in existence. We announced at the outset our purpose of endeavoring to act in harmony with all other similar institutions. If there should be any rivalry it will be of the academic order; for each society will strive to do its best to uplift the profession and to advance the pursuit of actuarial knowledge.

There is ample evidence of the good will that existed from the beginning. Several examples follow:

Of the sixty-three charter members of the Institute, one was also a charter member of the Society and seven were Associates of the Society.

In the Minutes of the preliminary organization meeting of the Institute (May 12, 1909) we read that "It is the universal desire of the committee that this organization should meet with the hearty approval of Officers and Members of The Actuarial Society of America. . . ."

The organizing committee had also included the following in a resolution it had unanimously adopted:

WHEREAS, It is desired that an Institute formed as a result of the Call above referred to shall be such a one as to command the respect and esteem of those engaged in the business of insurance and to merit an exchange of courtesies with older and well recognized Institutes and Societies of Actuaries. . . .

We find also an interesting sidelight in the Minutes of the first meeting of the Institute (June 15, 1909). At the preceding organization meeting all

officers, except the President, were chosen. In the interim, nomination for that office had been offered to a person who, it might be noted, did not become a member. The Minutes read:

The Secretary stated that Mr. ——— had refused the nomination, had thanked the Institute for the honor shown him, had expressed well wishes for the Institute and had previously suggested that the Institute have a Committee confer with a Committee from The Actuarial Society of America, which suggestion was not followed by the Board of Governors on account of the short time intervening between the receipt of such suggestion and the annual meeting of the Institute.

The Institute had entered upon a large field, and was at first preoccupied with its own development. It was not many years, however, before the paths of the two bodies began to cross to such an extent as to indicate the need for coordinated joint or parallel action along a variety of lines. Apparently the first cooperative steps had to do with the American-Canadian Mortality Investigation and were taken in 1915. On the title page of the published volume containing the account of that Investigation, we read that it was "conducted and published by The Actuarial Society of America with the cooperation of the American Institute of Actuaries and the National Convention of Insurance Commissioners." This was the commencement of a long history of cooperation and joint action, official or unofficial, not only in regard to mortality, disability and other studies and publications, but also in matters having a vital bearing on the basic functioning of the two bodies—membership, examinations, education. The trend towards joint action of this more intimate sort might be said to have begun with the first joint examinations in 1929. The remaining half of the Associateship examinations were made joint in 1932 and the Fellowship examinations in 1938. The need for joint examinations developed not only out of the virtual identity of the educational ground to be covered, but also out of the growing common membership of the two bodies.

The underlying dilemma of having two coexisting but independent organizations with a growing common membership and largely identical interests was brought out by Arthur Pedoe with great perspicuity in his 1929 paper on "The Actuarial Profession on the North American Continent," from which the following is taken:

The formation of the American Institute of Actuaries was in a measure due to the need for a regional actuarial body, centering on Chicago, but owing to the spread of its membership throughout the Continent, the original motive has ceased to exist and it now suffers from the same disadvantages as the Society in regard to the lack of contact between its members. It is possible to conceive, as the number of companies increases, of the formation of actuarial societies in the

South and on the Pacific Coast awarding degrees and duplicating the work of The Actuarial Society of America. This disintegration would not be in the interests of the actuaries or of the profession. A multiplicity of actuarial degrees covering the same ground is not only unnecessary, but would no doubt lower the present standard of qualifications. The cooperative effort required from the members of any actuarial society in regard to the preparation of papers and their discussion, the publication of transactions and reviews and the preparation and supervision of examinations, would mean a dissipation of the energies of the actuaries of this Continent and a duplication of work without purpose.

The duplication of membership of The Actuarial Society of America and the American Institute of Actuaries is astonishing. Of the 144 Fellows of the American Institute, 102 are Fellows or Associates of The Actuarial Society of America. Of the Associates of the Institute numbering 122, 60 are Fellows or Associates of the Society. The tendency will be for this duplication to increase as many of the younger men are sitting for the examinations of both bodies. If the two Societies were amalgamated, it would mean the addition of only 104 Fellows and Associates to the Society.

If the organization and recognition of the Actuaries' Clubs were combined with the amalgamation of the Actuarial Society and the American Institute, it would change the organization of the Society into a network of Actuaries' Clubs covering the whole North American Continent, whose members would meet frequently and would center on the Actuarial Society with its general meetings held twice a year [TASA XXX, 18].

Thus by the time the two bodies had completed half of their contemporaneous but independent existences the need for "merger" had been clearly stated, and the idea set to ferment in the minds of the respective memberships.

¶ Meanwhile, as a result not only of growing and duplicating memberships, but of growing complexity of actuarial tasks, as insurance and related interests evolved on this continent, occasions for joint action multiplied and tended more and more to become continuous or recurrent. No better evidence of the need for, indeed the inevitability of, merger could be found than the actual story of joint action over the years. The author would like to record his great appreciation of the research work done by George W. K. Grange in retracing that story in rather extended outline by way of preparation for this paper.

A summary of that research may be fittingly introduced by relating an incident which occurred at the November 11, 1916 meeting of the Institute. O. J. Arnold called attention to the presence of Arthur Hunter, President of The Actuarial Society of America, and moved that the privileges of the floor be granted him. The motion was seconded and unanimously adopted. That friendly visit of the Society's President, coupled

with his concurrent application for and election to Fellowship, bespeaks the good will the two organizations had for each other from the outset.

One other comment before summarizing the story of the joint activities. None of us is so naive as to think that the forty years of friendship and courtship of the Society and Institute could have been so perfect that there was never a strain in the relationship. However, it is amazing how close to perfection the relationship was. The extensive material we reviewed, plus personal recollections, brought to light only one instance of possible serious friction.

Commencing about 1918 there was a trend towards Fellows of the Society applying for and receiving Fellowship in the Institute without examination. Apparently that suggested to some Society members the possibility of reciprocal action. While the official records on that point are none too clear, the May 20, 1920 Minutes of the Council note that:

It was voted, after prolonged discussion, that the proposals for admission to Fellowship without examination, which question after due notice would be voted upon by the Society at the fall meeting of 1920, be limited to the four voted upon at the previous meeting of the Council. In this connection it was also voted that the Committee consider the advisability of proposing at some future date later than October 1920 the introduction of two or three members of the American Institute of Actuaries . . . into the Society as Associates, without examination.

At least two of the four referred to in the first sentence were prominent Fellows of the Institute and one may surmise that, while they were Associates of the Society, a major objective in advancing them to Fellowship without examination was to express concretely the Society's regard for the Institute. The full membership of the Society, however, did not unanimately concur in the Council's recommendation since the Minutes of the October 28th meeting report that "in each case, the candidates received the requisite number of affirmative votes but the negative votes were, in each case, more than eight; consequently, under the constitution the candidates were not admitted." The reason may well have been the natural reluctance of some new Fellows who had just completed the arduous examination route to welcome others in their ranks who were excused from at least part of the examination ordeal. Subsequent developments on arrangements for admitting into one body members of the other body are noted later.

MEMBERSHIP—EXAMINATIONS—SYLLABUS

The original Constitution of the Institute provided for enrollment as an Associate by examinations only, except that the Board of Governors could waive the Associateship examination if it found that a candidate

had passed an equivalent examination of another recognized society of actuaries. This was amended in 1913 to permit the Board of Governors also to waive examination for a candidate who had had such experience as in the Board's opinion rendered him qualified for membership.

In 1916 the Society removed its limitation of Associateship to candidates "pursuing actuarial studies and looking forward to future Fellowship" and included the following in its Constitution:

Any person engaged in important actuarial work who has shown his fitness by published articles dealing with actuarial science or otherwise, may be nominated for election to associateship by two Fellows, and may be elected an Associate if recommended after due notice at a regularly called meeting of the Council, with not more than two negative votes, followed by a ballot of the Society with not more than eight negative votes, and not less than thirty-five affirmative votes, provided notice shall have been mailed at least twenty days prior to all Fellows of the Society.

This addition was, in effect, an alternative to the previous requirement for qualification by examination, with provision for waiver if a candidate, while not a resident of the United States or Canada, passed equivalent examinations required by another recognized society of actuaries.

The Society also amended its requirements for admission to Fellowship in 1916.

From time to time during the next ten years the Council and Board separately considered questions of admission to membership in one organization of members of the other. Without attempting to search out all pertinent material, the reports we reviewed indicated that the Fellows were not willing to go as far on these questions as the governing bodies. The questions were apparently considered separately for those who were members without examination and those who qualified by examination. In the meantime the trend that had started of students taking examinations in both bodies apparently operated as a constructive influence.

For example, we find the following item in the Minutes of the April 3, 1925 meeting of the Council:

After consideration of several thoughts and opinions suggested with a view of meeting the situation, and making a little closer our friendly relations with the American Institute of Actuaries, the Committee finally unanimously agreed to the amendment of Article IX as follows:

"When the Council finds that a candidate *is a Fellow by Examination of the American Institute of Actuaries*, or has, while not a resident of the United States or Canada, passed equivalent examinations required by another recognized society of actuaries, it may, *with not more than two negative votes*, waive the equivalent examinations for Associateship hereby required."
[New matter italicized.]

That amendment was adopted at the Society's meeting of October 28, 1926.

The next important milestone was in 1927 when the Council and Board authorized the appointment of committees to cooperate in arranging that the two bodies use the same examination papers and the same examination committee for some of the earlier Associateship examinations. The result was the inauguration in 1929 of joint examinations for the first half of the Associateship. When that joint venture was approved in 1928, the Society was as yet not ready to give credit for examinations previously passed in the Institute, since the Council resolved on October 17, 1928 that the Society give no credit for Institute Parts 1 to 4 passed before 1929. However, that decision was reversed the following year when the Constitution was amended so that the Council could waive any of the first four parts of the Associateship examinations if the student had passed the equivalent part or parts of the Institute examinations. Corresponding action was taken by the Institute to give a similar waiver for Society examinations.

In connection with the establishment of joint examinations, the two bodies took steps to revise the Syllabus to remove the differences that existed when the parts in question were given separately.

As a result of J. G. Parker's informal work in comparing examination results of the two bodies on parts not conducted jointly, committees were appointed in 1930, and their report brought about the extension in 1932 of joint examinations to the second half of the Associateship. This led to further coordination of the Syllabus by the two bodies, and further extension of reciprocal waiver by one body of examinations previously passed in the other body.

In 1934 a Joint Committee on Payment of Examiners and Continuity of the Examination Committee recommended that the joint examinations be extended to the Fellowship, thus reducing the burden of work. This last step was not an easy one and it was 1938 before all the examinations became joint. The following year both bodies amended their Constitutions to waive any part or parts of the Fellowship examinations passed in the other body (such reciprocal waiver was already in effect for Associateship parts). With that step taken eventual merger became inevitable, especially in view of the great increase in duplication of Fellows in both bodies as brought out in James R. Herman's paper presented at the final meeting of the Actuarial Society (*TASA* L, 59). It might be noted here that as of May 15, 1949 there were 642 Fellows of either the Society or the Institute or of both. Of the 514 who were Fellows of both all with one exception qualified by examination in one or both bodies. It is rather striking that of the 513 Fellows by examination only 36 passed separate and distinct ex-

aminations in each body from the first Associateship part to the last Fellowship part. The list of the "two-timers" appears in the discussion of Mr. Herman's paper.

Thereafter the actions taken by the two bodies in regard to examination, education, and syllabus were on a joint basis with the actual decisions being made in effect as if the two bodies had already merged. It is in no small part because of that new environment that the great program for modernizing examinations and education was developed and carried out as quickly and smoothly as was the case.

OTHER SUBJECTS

A list of subjects on which the Society and the Institute took action jointly, or otherwise showed a certain mutual interest, includes the following:

Mortality Studies

The American-Canadian Mortality Investigation, as already noted, provided the first occasion for cooperation between the two bodies. The story of that cooperation is told in the Introduction to the published account of that Investigation and need not be repeated here.

Another historical mortality investigation developed from the request in 1937 of the President of the National Association of Insurance Commissioners that the Society and Institute nominate members to serve on a Committee to consider the question of a new mortality table as a basis for premiums and reserves. The two bodies worked together as a single team in the very important part the actuarial profession had in the resulting historical reports and publications. It was a tribute to the two bodies, as well as to the individual, that the committee, its report, etc., were informally christened with Mr. Guertin's name.

Gain and Loss Exhibit

At the request in 1920 of the National Association of Insurance Commissioners the Society and Institute appointed committees to confer with the Commissioners' committee to investigate the advisability of revising the Gain and Loss Exhibit of Life Insurance Companies. The two actuarial committees made a final report in 1923.

Library

In 1923 the Institute's Board voted to donate to the Society, the Faculty of Actuaries and the British Institute of Actuaries the back numbers of the *Record* necessary to complete their files.

In 1936 the Society accepted a bequest of approximately 300 actuarial and mathematical books from the late C. D. Higham of London. This in-

cluded a complete bound set of the *Transactions*. Since the Society already owned two bound sets of its *Transactions*, it presented a complete set to the American Institute.

Publications

Outstanding joint actions on the matter of publications were the preparation of the following series of actuarial tables made necessary because of the development of the Standard Non-Forfeiture Laws and Standard Valuation Laws:

Tables based on the Commissioners 1941 Standard Ordinary Mortality Table—compiled by a Joint Committee under the chairmanship of T. A. Phillips, and published in 1945, 1946 and 1947 by the Society and Institute.

Tables for Accidental Means Death Benefit and Disability Benefits based on the respective specified valuation tables for these benefits combined with Commissioners 1941 Standard Ordinary Mortality Table—compiled by a Joint Committee under the chairmanship of J. T. Phillips, and published in 1947 by the Society and Institute.

Tables based on the 1941 Standard Industrial and 1941 Substandard Industrial Mortality Tables—compiled by a Joint Committee under the chairmanship of N. M. Hughes, and published in 1946 and 1947 by the American Life Convention.

Other publication matters on which there was joint or mutual action were papers and discussions at joint meetings, examination results, and educational material for students, such as *Problems and Solutions* and the Monograph *Elements of Graduation*.

Reviews

In 1932 the Council saw no objection to the practice of having identical reviews in the *Transactions* and the *Record*.

Commencing in 1933 there were discussions aimed at eliminating duplication of work in preparing reviews. The practice put into effect in 1936 was to have two separate Committees prepare jointly reviews to appear identically in the two publications. Even that efficient procedure involved procedural questions, since it was felt necessary to request a ruling from the Council to permit a review written by a member of the Institute, who was not a member of the Society, to be printed in the *Transactions*.

In 1941 the two committees were succeeded by a joint committee.

Definition of Actuary

In 1944 the two Presidents, acting jointly, appointed Edmund B. Whittaker to prepare a definition of the field of actuarial science, as requested by the War Manpower Commission.

A subsequent development was the 1946 action of the Council and Board in approving the printing and distribution to college students and others of a booklet entitled *The Profession of Actuary As a Career*.

International Actuarial Notation

In 1945 the Society's President received a letter from an International Committee on Actuarial Notation established by the latest International Congress of Actuaries. The letter asked for appointment of a new U.S. representative to replace Robert Henderson on this Committee. It also made concrete proposals as to notation. The Society's President and the Institute's President appointed John S. Thompson as U.S. representative, and also a Joint Committee on International Actuarial Notation, to study the matter and report to the Council and Board. That report was made the following year.

Joint Meetings

In 1924, as a result of a suggestion made at the Council meeting of May 17, 1923, the first joint meeting of the Society and Institute was held at French Lick, Indiana, where 24 years later the details of the merger were agreed upon at the final joint meeting of the two bodies.

It was not until the fall of 1928 that the question of a joint meeting again came up. It was quickly answered in the affirmative, with the next joint meeting at Toronto in 1929.

At the Institute's suggestion, another joint meeting was held in Chicago in 1933 at the time of the "Century of Progress" Exposition. It was then decided to schedule joint meetings at regular intervals and a "Joint Committee on Joint Meetings of the Society and Institute" recommended in 1934 that joint meetings be held in the Fall in alternate years.

The first joint meeting under that schedule was held in 1936 at White Sulphur Springs, West Virginia, where the Society of Actuaries is now holding its first regular meeting. The next joint meeting was held in 1938 and we were honored to have a number of British actuaries accept our invitation to be with us. Further joint meetings were held in 1940 and 1942. Then followed the period during which the meeting schedules of the two bodies were modified and then suspended because of war conditions.

The next joint meeting was in Atlantic City in 1945. Apparently that was considered a delayed 1944 meeting, and another joint meeting was held in 1946 in Cincinnati since the original two-year schedule called for a meeting that year. It was also decided in 1946 to have joint meetings each year in the fall, and to adopt recommendations made by a special

joint committee appointed to study the revising and streamlining of the program for future joint meetings. Subsequent joint meetings were held in Quebec in 1947 and French Lick in 1948.

It was at the 1946 joint meeting that the first official action leading to merger was taken through the appointment by the two governing bodies of a special joint committee. That action had been preceded by discussions of possible merger at both Society and Institute meetings. They included two Society Presidential addresses by Joseph B. Maclean in 1943 and 1944 and two Institute Presidential addresses by A. J. McAndless in the same years. Also noteworthy and thought-provoking were Wilmer A. Jenkins' 1944 paper (*TASA XLV*, 188) and the discussions thereof (*TASA XLVI*, 69).

DEVELOPMENT OF MERGER ARRANGEMENTS

The Secretary of the Society told the Council at the November 11, 1946 meeting in Cincinnati that the Secretary of the Institute had communicated his intention of bringing before the Board of Governors, among other recommendations to alleviate conditions resulting from an increase in his work, a suggestion for a Committee to investigate the possibility of merging the offices of the two bodies, whether or not the bodies themselves were merged. The Society's Secretary agreed that there had been a substantial increase in the amount of work required of the secretaries and their offices. Examinations were being given twice a year instead of once, other changes had been made in the examination setup, including new procedures in dealing with the College Entrance Examination Board, joint activities had multiplied, and there had been a gradual increase in membership. Despite the very close cooperation which existed there was bound, said the Secretary, to be some duplication and overlapping, with resulting inefficiency, in the conduct of so many joint projects. After discussion the Council authorized the President, subject to concurrent action by the Board, to appoint a special joint committee to investigate the problem of achieving greater coordination in carrying out the work of the Society and Institute, including associated financial problems.

The Board took parallel action the same day and suggested that the powers of this Committee should, under the specific direction of the two Presidents, be broad enough to extend to a consideration of actual merger of the two bodies and related matters. Accordingly, such a committee, geographically representing the whole membership of the Society and the Institute, was appointed. The Committee was also authorized to consider actual merger of the two bodies and related matters. Its membership consisted of:

Society	Institute
Wilmer A. Jenkins	B. T. Holmes
Walter Klem	L. J. Kalmbach
Oliver W. Perrin	Ross E. Moyer
C. O. Shepherd	Ronald G. Stagg
Charles A. Taylor	Clarence H. Tookey
R. A. Hohaus, <i>Chairman</i>	

The Joint Committee interpreted its instructions as follows:

1. Its first assignment was to explore the possibilities of achieving greater coordination without disturbing the present arrangement of the two separate organizations.
2. Following completion of the first assignment, it should consider the questions raised by the various suggestions which have been made for an actual merger of the two bodies and related matters.

At the request of the Joint Committee the Secretary of the Society prepared a detailed list of his duties. Similar lists were prepared by the Society's Assistant Secretary and the Office Secretary. The Institute's Secretary advised the Committee that those lists also gave a reasonable picture of his work and that of the Institute's Chicago office, subject to several differences and additions.

Review of that material indicated very clearly the great deal of work required in handling the administrative affairs of organizations such as the Society and Institute, and the great debt of appreciation the members owed to the two Secretaries and the Society's Assistant Secretary in assuming responsibility for that work as a sparetime avocation.

Two of the conclusions which the Joint Committee reached as a result of its preliminary studies were:

1. As long as the organizations continue as separate entities greater coordination in the other activities which are separate and not joint responsibilities can be best achieved in the same manner as in the past—*i.e.*, by relying on the two Secretaries and their staffs to be continually on the alert for improvements. Indeed so much has been accomplished that the Joint Committee is not optimistic that much more can be done while the present separate organizations are continued.
2. Consequently, if there is to be coordination but no merger, the examination and education activities constitute the only major area in which it may be possible to suggest new procedures for greater coordination. However, before the great deal of work required to investigate the possibilities thoroughly is undertaken, the two bodies should first consider the question of a merger in at least an exploratory manner.

Incidentally, since the Joint Committee was not able to meet frequently, it developed a technique which proved to be an effective substitute for the "across the table" exchange of ideas that takes place in meetings. Memoranda on problems, suggestions, etc., were circulated to all committee members with the request that each directly acquaint the others with his views by mailing them copies of his comments. In this way, each promptly had the benefit of the others' viewpoints in his own study of questions under consideration.

The Chairman submitted to the Council on May 7, 1947 an informal progress report which was considered in main outline. With the agreement of the Institute's President, the Council voted to hold a joint meeting of the Council and Board in Chicago on May 28, 1947 for the purpose of a full discussion. The members of the Joint Committee were invited to attend and were requested to submit a formal report if possible.

Because of the importance of that meeting the Minutes report the proceedings in considerable detail. A brief statement of the Committee's objectives, and a summary of the additional conclusions reached by it, were given, with the understanding that the progress report, as modified by these further conclusions, constituted the Committee's report. To quote from the Minutes:

The Committee's proposals were based upon the principle that the merger plan should accomplish the following objectives in a manner which would be satisfactory to practically all the members of the Society and Institute.

- a) The merged organization should retain all possible advantages to the various groups of actuaries as nearly as possible by the methods used in the separate organizations of the Society and Institute. It was realized that a company actuary's interest in a particular topic might largely depend upon the size of his company and on the nature of its business, *e.g.*, participating or non-participating.
- b) Many Fellows have expressed a desire that there be only individual membership in the new organization. However, any new arrangement should be such that privileges of the present contributing members of the Institute to have representatives attend Institute meetings will not be abruptly cut off.

The Committee's additional conclusions were—

1. Only individuals (Fellows and Associates) would be eligible for membership in the merged organization, but Contributing Members of the Institute enrolled at the time of merger should be permitted for ten years to be represented at meetings upon payment of an appropriate registration fee for each representative. (It was pointed out that only 49 existing Contributing Members are not represented by Fellows or Associates.) The governing body of the new organization would adopt rules as to the meetings for which invitations would

- be extended, the number of representatives a company might send, and the amount of the registration fee.
2. There should be no formal connections with local actuaries clubs and no Advisory Council, but the merged organization should informally encourage local clubs and keep in closer touch with them than in the past.
 3. Although no decision is required immediately on the matter of finances, it was pointed out that the elimination of Contributing Members and paid advertising in the Transactions would reduce the income of the merged organization substantially. It was suggested that consideration be given at a later date to a proposal that companies be approached individually to make grants for educational purposes.
 4. The meetings should be somewhat similar in pattern to the present meetings, a 2½ day general meeting to be held in the fall without any restriction as to location, and two regional meetings of possibly 1½ days in the spring with no restriction other than that one should be held in the East and the other in the West. The regional meetings should be largely autonomous as to location, program, officers, etc.
 5. The officers of the merged organization would consist of a President and two Vice Presidents elected at the Fall meeting for one-year terms, and two regional Vice Presidents, one to be elected at each regional meeting. The President would be limited to one term, but a Vice President would be eligible for re-election for a second one-year term. In addition, a Secretary-Treasurer would be elected for a one-year term, but with no limitation as to re-election, and an Associate or Fellow employed full-time as Executive Secretary to handle the duties now entrusted to the Secretaries and Treasurers of the two bodies, with possibly some additional duties, such as those of an educational nature. The Executive Secretary would report directly on administrative matters to the Secretary-Treasurer, and to the President on other matters. Each regional Vice President would have the responsibility for the regional meeting, including such matters as the program, papers, and items of interest to the regional members. The other two Vice Presidents would have responsibilities assigned to them by the President and Governing Board.
 6. The Governing Board would consist of 18 members in addition to the elected officers. Six members would be elected each year for three-year terms, two being elected annually at each regional meeting and two at the general meeting. In addition, an ex-President would remain on the Board two years following his term of office. The regional Board members would assist the corresponding regional Vice Presidents in preparing programs for and directing the respective regional meetings.
 7. The existing election procedures of the two bodies should be explored to determine whether a better plan might not be adopted for the merged organization.
 8. The Governing Board should have the power to establish the policy of when and if informal discussions are to be reported.

Mr. Hohaus further reported that the Committee had considered the following additional points, but had left them open pending crystallization of the other matters—

- a) Location of headquarters.
- b) Machinery for presentation of papers.
- c) Name of organization.
- d) Manner in which the subject might be brought before the members at the Joint Fall Meeting at Quebec.

The Board and Council then proceeded to discuss the Committee's report. There seemed to be general agreement on the Committee's recommendations, although the following specific comments were made by various members:

1. One member recommended that all meetings should last $2\frac{1}{2}$ days, but there seemed to be general agreement that this matter should be left to the regional officers.
2. It was suggested that panel sessions be used more than in the past.
3. Consideration should be given to the effect of the proposal for electing Vice Presidents at three different times in each year.
4. A past President should not be eligible for membership on the Board for one year after the expiry of his automatic term of membership.
5. The headquarters should be located in a good railroad center.
6. One member felt that the merged organization should stand financially on its own feet and should not call for help from the companies, even for educational purposes. Another member suggested that the withdrawal of complimentary copies of proceedings to contributing members and advertisers, coupled with some sales effort and an increase in the price charged non-members, would replace a portion of the lost income.

After considerable discussion, it was informally and almost unanimously agreed (one member refraining, none dissenting) that the Board and Council favored merger along the general lines recommended in the report. The Committee was polled separately, and their conclusion was identical.

It was also agreed that the Institute should be advised at the succeeding day's meeting of the fact that a joint meeting of the Board and Council had been held, and that there was almost complete unanimity in favor of merger in view of the solutions presented by the Committee studying the various problems, and full information with respect thereto would be submitted to all members in good time to permit full discussion, with an opportunity for an expression of opinion from the membership, at the Fall Meeting at Quebec.

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The following matters were also discussed, and conclusions reached as indicated:

1. The Committee should consider what percentage of the membership should be required to vote affirmatively before merger might take place.

2. The expression of opinion to be obtained at the Fall Meeting should not be taken until the day following the discussion at that meeting.
3. A joint meeting of the Board and Council should be held following the adjournment of the Quebec meeting in order to discuss the results of the poll.
4. Upon motion, which was carried almost unanimously (one member refraining, none dissenting), the Committee report, as amended, was adopted after striking the third sentence in the last paragraph on the last page thereof.
5. Upon motion, which was duly carried, the Committee was authorized to obtain legal advice regarding the requirements for merger, if merger should be deemed advisable.

The Minutes were corrected at the next Council meeting to show that the motion to adopt the amended Committee report was carried unanimously with none refraining from voting.

At the 1947 Quebec joint meeting one entire session on October 2 was set aside for the discussion of the proposals for the basis of a merger. Information concerning the proposals was sent to the members well in advance of the joint meeting in the form of a digest of the Joint Committee's Report. In order that the members would have an opportunity to appraise the opinions and viewpoints expressed at the session, it was decided to hold the informal ballot on merger the next morning, rather than at the close of the session.

Because the members were being asked to make a very momentous decision, it was also agreed that free and frank discussion was essential. To encourage such discussion, it was decided that there would be no stenographic record or press report. Whether the result would have been different if that decision had not been made, all present will probably agree that the discussion was excellent. It was in many respects like the traditional New England town meeting at its best.

As a prelude to the discussion, the Chairman of the Joint Committee was asked to give some background as to the Committee reports. A reconstruction of his remarks follows. The references to the Committee are included to put on record his tribute to the Committee members for the way in which they approached and carried out a most difficult and delicate assignment.

It is probably an undiplomatic comment, but I would like to record my considered opinion that never has a committee functioned more effectively than this one, whether from the viewpoint of a well rounded representation of the memberships of the two bodies and their various professional interests, or from the viewpoint of hard thinking by each committee member with open mind to try to find the right answers to a complicated series of problems—many of them difficult of factual analysis. The Committee's discussions throughout have been

on the basis that members belonged to both organizations, and were not representatives of only one.

As a result there has emerged a report which is not a series of compromises but is the development and integration of the fundamental objectives to be attained. This was accomplished in large part by considering and analyzing a number of alternative proposals, out of which developed a much better understanding of objectives and how they should be realized.

All of you have received a digest of the Committee's report, so that there is no need to summarize it. I shall merely comment on certain points for emphasis or further explanation.

You will recall that the Joint Committee had two assignments. The first was to explore the possibilities of achieving greater coordination without disturbing the present arrangement of two separate organizations. In that connection we asked the two Secretaries for a list of things done by them and their staffs. While we knew that each of them did a great deal of work, we were amazed—stunned may be a more appropriate word—when we received the list, because it covered more than 15 pages. We also prepared a list of subjects which had been a matter of joint consideration and action by the two bodies during the past ten years. That covered four pages and included more than 60 separate items on which joint action was taken. Another compilation of data that we considered of decided significance was one showing that about two-thirds of the individuals represented in the Society or Institute are members of both organizations, that over 80% of the Society Fellows are members of the Institute and over 95% of the Institute Fellows are members of the Society—also that two-thirds of the Institute's Contributing Members have Fellows or Associates on their staffs.

In view of all this, the Joint Committee's conclusion on its first assignment (coordination without merger) is, you will recall, that the examination and education activities constitute the only major area in which it may be possible to suggest new procedures for greater coordination, but that, before undertaking the great deal of work required to investigate the possibilities thoroughly, the two bodies should first consider the question of a merger in at least an exploratory manner.

If a preliminary answer to the merger question is in the negative, then the possibility of a joint administrative agency for the examination and education activities, and of a joint arrangement for the sale of publications and for the Libraries, should be explored further. If, however, such an answer is in the affirmative, these matters will become part of the problem of merging all the activities of the two bodies.

The Committee's second assignment was to consider the questions raised by the various suggestions for an actual merger of the bodies and related matters. We accordingly reviewed the literature on the subject, and listed the various arguments pro and con and the problems and suggestions included in that material. The list surprisingly covered $6\frac{1}{2}$ pages. It was supplemented by consideration of various alternative proposals developed by the Committee. Out of that we distilled five basic objectives which we agreed must be accomplished in any

merger arrangement that was to be generally satisfactory to our membership. They are:

1. While there are many matters on which actuaries, wherever located in the United States and Canada, have a common interest, there are other matters concerning which one group of actuaries is often more directly interested than another group. For example, the interest which a Company actuary may have in a particular topic may largely depend on the size of his Company and the nature of its business (*e.g.*, participating or non-participating). The existence of two bodies has given the opportunity for recognition of those varied interests. Hence, any new organization should be so set up that this important advantage of the present arrangement will be retained in one way or another. This, in turn, implies that it would be advisable to have a definite plan for regional representation on the governing body of the new organization.
2. Any new arrangement should be such that the present privileges of Contributing Members of the Institute to have representatives attend Institute meetings will not be abruptly cut off.
3. Many Fellows have expressed the desire that there be only individual membership in the new organization.
4. There must be at least as much opportunity for acceptance of papers as is now available under the present arrangement of the two separate organizations with a committee on papers for each.
5. While there will be no formal relationship between the parent actuarial organization and local actuarial clubs, the Committee recommends that any new organization informally encourage local clubs and keep in closer touch with them than has been the custom in the past for the Society and the Institute.

The report listed various suggestions as to a name for the new organization and in effect asked for additional suggestions. Many have already been received, including suggestions that we retain the name of one of the present organizations.

Studies of the legal and financial problems are under way. As to the legal phases, the situation is unusual in two respects. One is that the Institute is an Illinois corporation whereas the Society is an unincorporated association. The Illinois statutes provide a reasonably simple procedure for merger or dissolution of the Institute, but in the absence of a statutory route to follow a somewhat more involved procedure will be necessary for the Society. However, our legal advisers tell us not to be concerned about it and that a satisfactory procedure can doubtless be developed, if the two bodies decide to merge.

The other unusual situation is a legal requirement in Canada that certain certifications, reports, and other acts can only be performed by a qualified actuary—the statutory qualification being Fellowship by examination of the British Institute, the Faculty, the Actuarial Society, or the American Institute of Actuaries. Hence, if merger is decided upon with a new name for the new organi-

zation, arrangements must be made for amending the relevant Canadian Statute before the Society and Institute are completely dissolved.

As to the financial problems, the two Treasurers have prepared preliminary reports for the Committee's study. While some serious problems will arise, they will not be primarily the result of the merger but will exist even under the present arrangements. They originate from such matters as the new examination and educational procedure and the question of the extent to which the candidates' fees should cover examination and educational costs, increases in rents, materials, and salaries, and the inevitable added costs that arise as our organization becomes more mature and is called upon for more service to the members and the public.

Another important consideration is that at present the two bodies receive close to \$7,000 annual revenue from companies—advertising revenue in the case of the Society and Contributing Members' dues in the case of the Institute. This naturally raises the question as to what extent, if any, the new organization should look to the companies for revenue. The question is one needing further study if and when merger is decided upon.

My guess at present is that the Fellowship annual dues for the new organization would probably be somewhere between \$25 and \$35 or \$40. Naturally it will be for the members to decide what activities should be undertaken by a new organization, which should be self-supporting and which should be financed in whole or in part by dues. Such decisions will naturally determine the size of the budget and the annual dues.

The Joint Committee looked forward to the session with keen anticipation, since it expected to be guided in its further study of the various problems by such evidence of the members' preferences and sentiments as might be developed in the discussion.

The discussion was lively and covered a wide range. Particularly gratifying was the extent to which younger members took part and their statesmanlike attitude. Indeed their comments clearly indicated that the Joint Committee had been unduly concerned about the position they would take on some issues—issues that would have to be resolved on a basis generally acceptable to all if the new organization was to function without friction from within or without.

The discussion made it quite evident that, while the majority of members might favor merger, certain phases of the Committee's proposals needed to be modified. One of these was the proposed arrangements for the Institute contributing membership and for attendance of other non-members at meetings. Here it was apparent that many deemed the Committee's proposals too restrictive. Objection was also raised to the proposal that there be regional elections for the Vice Presidents and members of the governing body. There was also apparent a desire for a concrete

proposal for election of officers and the governing body which would be an improvement over the differing methods used by the Society and Institute.

The desire was expressed that the new organization be on a basis which assumes a community of interest of all members on all important matters of organization. There should be no provisions that imply basic differences depending on the individual member's location or the nature of his work.

Another matter of great concern was the ground rules to be used for approval of papers. With two separate bodies, an adverse decision of the Committee on Papers of one body could be, and was from time to time, effectively appealed by submitting the paper to the other body. Rightly or wrongly, some apparently felt that if a single new organization followed the procedure of the existing bodies, authors of papers would be too much at the mercy of a single three-man committee on papers. In other words, there was doubt as to the infallibility of any such committee. That doubt was supported by the striking case of a paper which, after being turned down by the committee of one body, was submitted to the other and not only accepted but awarded a triennial prize.

The discussion also had its light touches, especially with respect to a name for the contemplated new organization.

The suggestion that Chicago be selected for the office headquarters of the new organization apparently appealed as one more means of making clear that merger would not, in effect, be a case of the Society absorbing the Institute.

From the tenor of the discussion it was apparent that, while the members might favor merger, they were not satisfied that the committee's proposals satisfactorily solved the questions of regional meetings and Institute contributing membership. Hence the original idea that the Fellows and Associates be asked to vote simply on the matter of merger was modified, and the question put to informal vote the next morning was: "Are you in favor of merger subject to satisfactory solution of the problems of regional meetings and contributing members?" Of the 303 members who voted, 269 were in favor, 23 were against, and 11 were undecided.

After the meeting at which the informal ballot was taken the Council and Board met with the Merger Committee. The meeting was devoted to a discussion of various suggestions regarding contributing membership, regional meetings, number and dates of meetings, election methods, actuaries' clubs, treatment of papers and discussions, and the composition of the board of directors. The Committee was requested to formulate a revised plan for a new organization for informal submission by the end of the

year, with the idea of a formal report being ready for the consideration of the Council and the Board early in 1948.

On March 12, 1948 the Council and Board had another joint meeting, with the Merger Committee also present. The Council and Board members had received in advance a letter from the Chairman of the Merger Committee outlining the open questions. They also had before them recommendations reached by the Committee earlier in the day. After discussion the Committee's suggestions and recommendations were adopted with modifications.

The Council and Board then adopted the following recommendations for the next steps to be taken:

1. The Committee should be instructed to prepare a report to the members covering the new recommendations. This report would be sent out in advance of the Spring 1948 meetings for discussion at those meetings. It was suggested that the report include the proposal that if the recommendations contained therein are agreeable to the members, the members by vote at the respective meetings of the Society and Institute authorize the President, subject to similar action by the other body, to appoint a joint committee to act as an organizing committee for the new society. This committee would include a subcommittee of incorporators as required by the Illinois statute.
2. The organizing Committee should be instructed to prepare a Constitution and By-Laws to be voted upon at the Joint Meeting in the Fall of 1948. If the proposed Constitution and By-Laws met with the approval of the membership of the two bodies, the organizing committee would then be instructed to proceed with setting up the new corporation.

Appended as Exhibit A is the report prepared by the Committee, dated March 23, 1948, giving "Recommendations on Open Questions *Re* Merger." This was mailed to the members with accompanying circular letters from the President and the Secretary of each body, well in advance of their respective Spring meetings.

In the circular letters it was stated:

The Joint Committee also gave further consideration to various suggestions for the name of the new organization, and recommended that two names be presented for the consideration of the members of the Society and Institute at the respective Spring meetings. That recommendation was adopted by the Council and Board. The two names are "Actuarial Society" and "Society of Actuaries."

The attorneys' report recommended that the best way of effecting a merger is "by creating a new organization, preferably in Illinois, after which dissolution of both the Society and Institute should be effected (after a transfer of membership and assets to the new corporation), in order to avoid the undesirable features that would be encountered in adopting any of the other methods." In

support of the recommendation for an Illinois corporation, they pointed out "that the applicable Illinois statutory law is of recent enactment, comprehensive in scope and adequately designed to provide incorporators of non-profit organizations every facility and modern technique." Those recommendations met with the approval of the Council and Board, as well as the Joint Committee.

It was pointed out at the Council-Board meeting on March 12th that the financial budget of the new organization involved several important problems and questions which required further study. Accordingly the Council and Board authorized the Presidents to appoint a new joint special committee to consider the matter. It was also suggested that the new committee work in close cooperation with the Merger Committee and the two have some members in common. The Committee appointed for this purpose was: R. D. Murphy (*Chairman*), E. G. Fassel, Walter Klem, Ross E. Moyer and O. W. Perrin.

At the Annual Meeting of the Institute (April 29, 1948) the Merger Committee's March 23d report was formally presented. Apparently the recommendations were considered a satisfactory answer to the questions raised at the Quebec meeting, as there was little, if any, discussion of them. The following resolution was then unanimously adopted:

Resolved, that the recommendations on open questions *re* merger in the Joint Committee's Report of March 23, 1948 meet with approval and that the President be authorized, subject to similar action by the Actuarial Society, to appoint a Joint Committee to act as an organizing committee for the new Corporation to prepare Articles of Incorporation and By-Laws in conformity with the General Not for Profit Act of Illinois for submission to the members of the Institute and Society at the Joint Meeting in the Fall of 1948.

Discussion then followed as to the name to be given to the new organization. An informal vote, in which both Fellows and Associates participated, was taken, the result being 112 for "Society of Actuaries" and 82 for "Actuarial Society."

At its Annual Meeting on May 13, 1948 the Society took parallel action on the Committee's report of March 23, 1948. This time the informal vote as to name was 351 for "Society of Actuaries" and 38 for "Actuarial Society." Doubtless this one-sided vote was due to a desire to confirm the informal majority choice at the Institute meeting.

The two Presidents designated the Merger Committee and Ray D. Murphy to act as the Committee to Organize the Society of Actuaries.

At the Council meeting on May 12, 1948, Mr. Murphy, as the Chairman of the special joint committee to study the question of the financial budget of the new organization, gave a preliminary report of his Committee's work to date. He outlined the salient features and some of the prob-

lems of an annual budget for a merged actuarial organization. Among the topics discussed were examination expenses and fees, the possible make-up and cost of printing a year's issue of papers, discussions, committee reports, etc., the revenue to be derived from subscriptions, the extra charge to members for cloth bound volumes, the gain from the sale of other publications, registration fees for attendance of non-members at meetings, and the level of annual dues required to effect a balance after provision for other required expenses.

Appended as Exhibit B is the circular letter of October 1, 1948 *re* Procedure for Merger of the Society and Institute, sent to members of each body over the signatures of the President and Secretary in each case. Accompanying that letter were (1) a memorandum setting out the proposed detailed procedure to be followed in effecting the merger and (2) the Constitution and By-Laws proposed for the new organization.

At the next joint meeting of the Council and Board (October 26, 1948) the legal advisers to the Joint Committee to Organize the Society of Actuaries (H. Powell Yates, Attorney of the Metropolitan Life, and William J. Walsh, Assistant Attorney of the American Life Convention) were present by invitation.

As already noted, the legal aspects of the merger were complicated because the Actuarial Society was an unincorporated body. However, the patient and brilliant work of the legal advisers resulted in a procedure which operated smoothly. Any reader who wishes to have first-hand knowledge of the difficult task they undertook and the excellent way in which they solved the problems that arose should ask the Secretary-Treasurer for a loan of the memorandum they prepared on the legal phases of the merger.

The following next steps were taken at the joint Council-Board meeting on October 26, 1948:

1. The Council and Board voted to recommend that the Fellows at the meeting on the succeeding day approve the proposed detailed procedure for effecting merger as set forth in the memorandum mailed to all members on October 1, 1948.
2. The Council and Board voted to recommend that the Fellows of the Actuarial Society and the Institute, by separate motions at the meeting on the succeeding day, adopt the proposed resolutions of intent to dissolve and transfer the membership and assets of the Actuarial Society and the Institute, as circulated to all members on October 1, 1948.
3. The Chairman of the Joint Committee on Finance presented the Committee's report dated September 16, 1948. The Council and Board adopted the report and budget for use in the formulation of plans for the Society of Actuaries.

4. The Council and Board voted to recommend that the Fellows present at the meeting on the succeeding day approve the proposed Constitution and By-Laws, as mailed to all members on October 1, 1948, subject to several editorial changes and a vote of the Fellows to determine which of alternative provisions for Section 2, Article V of the Constitution should be adopted.
5. Provision was made for initial expenses of organizing the Society of Actuaries.
6. The Chairman of the Nominating Committee for the Society of Actuaries reported on the manner in which the nominees had been determined, and outlined the procedure to be followed in making the nominations at the meeting on the second day following.
7. John R. Larus (Editor of the *Transactions* of the Actuarial Society) referred to the need, in view of the impending merger, for decisions on numerous questions in connection with the annual publications of the Actuarial Society and Institute for the Spring of 1949, and the *Transactions* of the Society of Actuaries thereafter, and he suggested that a committee be appointed to make recommendations. The Council and Board authorized the Presidents of the Society and Institute to appoint such a committee.

At the joint meeting held at French Lick, Indiana, the merger proposals were considered on the afternoon of October 27, 1948. The discussion was opened by the Chairman of the Joint Committee on Finance who summarized the Committee's report. The thoroughness with which that Committee functioned, and the members' agreement with the resulting sound and constructive recommendations *re* financial budget, dues, and related phases, is best evidenced by the comment in the Minutes that "Discussion was invited, but none ensued."

The proposed Constitution and By-Laws of the Society of Actuaries were then brought up for consideration. It was unanimously resolved that they be approved for adoption by the first Board of Directors of the Society of Actuaries, when organized, subject to several minor editorial changes, and to a vote to determine which of alternative provisions for Section 2, Article V of the Constitution should be adopted. The meeting then proceeded to discuss the following alternative provisions.

Alternative "A." A Fellow who has served as President of The Actuarial Society of America or American Institute of Actuaries shall be permanently ineligible for the office of President. A Fellow who has served as President of the Society of Actuaries for more than ten months shall thereafter be permanently ineligible to serve another term as President.

Alternative "B." A Fellow who has served as President of the Society of Actuaries for more than ten months shall thereafter be permanently ineligible to serve another term as President.

At the conclusion of a very spirited discussion the Fellows present voted by ballot with the following result:

In favor of Alternative "A"—115

In favor of Alternative "B"—109

224

Unanimous approval was then given to the proposed detailed procedure for effecting the merger as set out in the memorandum accompanying the October 1, 1948 circular letter.

The Fellows of the Institute then adopted by unanimous vote the proposed resolution of intent to transfer its membership and its assets to the Society of Actuaries and thereafter to dissolve. Parallel action by the Fellows of the Actuarial Society immediately followed.

The concluding event of the French Lick joint meeting was the selection by ballot at the morning session on October 28th of the Officers and Elected Members of the Board of Governors of the Society of Actuaries to take office when the new Society was organized. The procedure which had been developed for nominations and election worked out very satisfactorily.

The next formal action was the filing with the Secretary of State of Illinois of the Articles of Incorporation of the new Society, and on November 18, 1948 the Secretary of State issued a certificate of incorporation. For legal reasons a temporary "first Board of Directors" was necessary to take action to adopt the Constitution and By-Laws of the new Society and to formally elect the first slate of Officers and Board of Governors. The then members of the Actuarial Society's Council and the Institute's Board were designated as the temporary first board. They met in New York on January 7, 1949 and took these two actions. At the close of the meeting the temporary board ceased to exist and the affairs of the new Society were in the hands of the Officers and Board of Governors selected at the French Lick meeting. The Board of Governors held its first meeting immediately after the temporary board's meeting.

The Actuarial Society's Council and the Institute's Board also met on January 7, 1949 and took parallel action on four matters arising out of the pending merger. They included agreement that the responsibility for the publication of the 1949 numbers of the Actuarial Society's *Transactions* and the Institute's *Record* should be entrusted to the Editor of the Society of Actuaries.

Final action on the part of the Actuarial Society in merging with the Institute to form the Society of Actuaries was taken at the annual meeting held May 19 and 20, 1949, at the Hotel Commodore, New York. J. G. Parker, a past President of both organizations, introduced the motion necessary to implement the resolution, approved at the French Lick joint

meeting, of intention to dissolve The Actuarial Society of America and to transfer its membership and funds to the Society of Actuaries.

The motion was duly seconded with appropriate remarks by W. J. Graham, one of the two oldest members by examination, by J. S. Thompson, a past President of the Society, and by B. T. Holmes, a member of the committee on merger, and was carried unanimously by vote of the Fellows present.

Dr. Arthur Hunter, the oldest living past President of the Society, who had been invited to address the Society to mark its final meeting, spoke in a reminiscent vein. His remarks are printed in the final number of the *Transactions*.

The Council met at the close of the Society's meeting and the President stated that the resolution just adopted by the Fellows empowered the present officers to act in their respective capacities as a committee for the transfer of assets and the winding-up of the affairs of the Actuarial Society if the Council approved of and consented to that arrangement. It was explained that the actual transfer of certain of the Society's assets would take place after the anticipated vote of the Institute to follow the same course had been formally recorded at their meeting scheduled for June 3, 1949. Thereupon an appropriate resolution was proposed and unanimously adopted. It included authority and instructions for a committee consisting of each of the existing officers individually and collectively to take any and all other necessary or appropriate actions to wind up the affairs of The Actuarial Society of America.

At the Actuarial Society's meeting, and at the Institute meeting on June 3, the President of the Society of Actuaries made a brief statement regarding the progress of the organization of the new Society, and the Secretary-Treasurer presented a brief summary of business transacted by its Board of Governors.

Final action on the part of the Institute was taken at the close of its annual meeting on June 3, 1949 in Chicago. Lawrence M. Cathles, after some preliminary remarks referring to the early days of the Institute, introduced the motion for dissolution, which paralleled in its purposes the action taken by the Actuarial Society and its Council in May. The motion was seconded by T. A. Phillips, J. G. Parker and W. L. Rugland, each of whom made some remarks befitting the occasion. The Fellows adopted the resolution by unanimous vote.

E. R. Carter, Librarian of the Institute for the first twenty years of its existence, made the motion for adjournment, which was seconded by H. R. Corbett and J. A. Copeland. All these Charter Members made brief comments. The transcript of final proceedings for the dissolution of the

Institute and the remarks of the speakers appear in the June 1949 *Record* and make very interesting reading.

In accordance with the Constitution of the Society of Actuaries, regular membership status in that body became effective at the close of the Institute meeting for all Fellows and Associates of the Actuarial Society and the Institute.

This paper may fittingly close with the following excerpt from the remarks of T. A. Phillips at the final session of the Institute—which remarks, incidentally, suggested to the author the review of joint action summarized above.

Over the years, as we have grown and expanded our membership and increased our usefulness, we have found more and more of our actuaries who were members of both the Institute and the Society. This led quite naturally to discussions on the very question we are now considering. Many such conversations have been had. This is not the first. While informal in the sense that they were not formally originated by either group, they were nevertheless serious, and the conversations, as might be expected, were all on the high ground of seeking the best interests of the actuarial profession and the life insurance business. Each time, however, the conversations would end on thinking which can be expressed about as follows: "This is not the time for it. If we combine the two organizations now, there will be another group formed very promptly. If such a move is to come (many of us thought that it ultimately had to come) we will have to grow together. It can't be precipitated. Just give it time and let it develop in a natural fashion."

That is what we have seen occur. It is not necessary here to describe the many evidences of this process of coming together. It is enough to say that we have reached the confluence. I think we have seen an outstanding example of two fine institutions cooperating together, living together with their common problems, and, finally, finding that in all major matters we have a common interest.

While there are many in both the Institute and the Society whose roots go pretty deep in their own respective organizations and who must feel a natural regret in seeing the passing of either one, I am quite sure that all those men and all of us here realize that in joining our forces we strengthen our profession and that we have a tremendous opportunity further to advance actuarial work in the new society.

EXHIBIT A

MARCH 23, 1948

RECOMMENDATIONS ON OPEN QUESTIONS *re* MERGER

The discussions at Quebec made clear the desirability of having the Constitution of the new organization stick to principles and avoid details which would handicap the adoption of desirable changes in procedures to meet changing con-

ditions and attitudes. Another purpose would be to permit experimentation on those questions on which there are varying shades of opinion. Hence the following recommendations are in two parts—(A) principles to be incorporated in the Constitution and By-Laws and (B) practices to be established by the Board of Governors at the outset, which practices will be subject to change by the Board (without modification of the basic principles) with actual experience.

1. NUMBER, TIME, PLACE, AND NATURE OF MEETINGS

A. *Principles Incorporated in Constitution and By-Laws*

The Constitution would provide that there be an annual meeting in the fall of each year at which election of Officers and Board members will be held and other routine business matters acted or reported upon. The order of business for the annual meeting would be set out in the Constitution or By-Laws.

The By-Laws would specifically provide that, in addition to the regular annual meeting, other meetings may be called by the Board or shall be called by the President upon request in writing of not less than a stipulated number of Fellows. The Board or President, as the case may be, will determine the date, place and agenda of such other meetings. The By-Laws might also state that the Board should give consideration to the distribution of the membership by residence in determining the locations of the various meetings.

B. *Practices Established by the Board*

It will be expected that the annual meeting will be held at various locations in the United States and Canada. The meeting should allow ample opportunity for adequate discussion of the actuarial matters, as well as the business matters of the organization. This will probably mean at least five sessions (2½ days). It will probably also mean panel discussions for several sessions. The panels may be for separate topics or a single set of topics may be handled by several panels concurrently to try to get greater informality by having smaller groups at the respective panel meetings.

Initially, the Board would adopt the practice of having two additional meetings in the spring—one early in the season and the other late in the season. The two additional meetings will be held in different geographical locations (e.g., New York and Chicago), taking into account also the place of the annual meeting. The primary purpose of the spring meetings will be discussions of actuarial and related topics. There will be no fixed pattern, at least initially, for the program and number of sessions (1½, 2 or 2½ days).

It would also be understood that the above practice of the two spring meetings will not, except for an emergency, be changed by the Board without the approval of the membership.

2. TIME AND MANNER OF ELECTIONS

A. *Principles Incorporated in Constitution and By-Laws*

The Constitution would provide that all elections will be held at the annual

meeting, and that the term of office (one year) will commence at the close of the annual meeting and continue until the close of the next annual meeting.

The Officers to be elected are:

President—(a Fellow who has served more than ten months as President will be permanently ineligible for another term as President)

Four Vice-Presidents—(a Vice-President who has served two consecutive terms will not be eligible for reelection as Vice-President at the meeting at which his second term expires)

Secretary-Treasurer—(no restrictions on reelection)

Editor—(no restrictions on reelection)

The Board of Governors will be the Officers, the two immediate past Presidents, and eighteen additional members (27 in all) elected for a three-year term (staggered so six will be elected each year). A retiring elected Board Member will not be eligible for reelection as a Board Member at the meeting at which his term expires.

The Board will appoint the Executive Secretary. He will be an employee and not a member of the Board.

B. *Practices Established by the Board*

Elections

While the Constitution will make no specific provision for election machinery, the following method is recommended for the practice to be established by the Board on an experimental basis.

President—No nominations shall be made for the office of President. After the first ballot, unless there has been an election by majority ballot, the presiding Officer shall announce, in alphabetical order and without disclosing the number of votes, a suitable number of the leading candidates.

Nominating Committee

Vice-Presidents and Elected Board Members—Each year the Board would establish a nominating committee consisting of the two immediate past Presidents and three other Fellows selected by the two past Presidents—with at least one resident from (1) the northeastern states, (2) elsewhere in the United States, and (3) Canada on the committee. Until there are two past Presidents of the new body, the nominating committee shall include the immediate past President of the Society and the immediate past President of the Institute. While the Committee will presumably take into account residence and field of professional activity, it will not make nominations on a quota formula basis. There will be no set rules for the number of candidates except that initially at least seven names will be nominated for the four Vice-Presidents and the minimum number of nominations for the Board will be twice the number of vacancies. The committee shall make its report at the annual meeting and additional nominations may also be made from the floor at the annual meeting.

The results of the above procedure would be checked from time to time to

determine if the above minima for the committee's nominations are too high and act as a deterrent to election of members who are distributed satisfactorily by residence and field of professional activity.

Secretary-Treasurer and Editor—Candidates for these offices will also be nominated by the Nominating Committee, but the Committee shall not be required to submit more than one name for each of the two offices.

Program Committee

Initially the four Vice-Presidents and the immediate past-President will be the Program Committee for the meetings to be held during the year with the primary responsibility for the program for each meeting assigned to a different Vice-President.

Executive Secretary

If possible, the Board will appoint a Fellow or Associate to this position, but such a qualification will not be mandatory.

3. PRIVILEGES FOR INSTITUTE CONTRIBUTING MEMBERS

Based on the discussions at Quebec and various comments received since then, the consensus of opinion appears to be to have the Constitution or By-Laws make definite provision whereby each of the companies which are Institute Contributing Members at the time of the merger will have the right to have at least one representative attend meetings for a reasonable period of years after the new organization is established. The discussions and comments also indicated that consideration should be given to inviting other non-members who were welcome at Institute meetings under its informal practice.

A. Principles Incorporated in Constitution and By-Laws

The By-Laws would contain a provision authorizing the Board to adopt rules for attendance of non-members at meetings, with the proviso that in any event each Institute Contributing Member at the time of the merger would have the right to send at least one representative to meetings for the first fifteen years of the new organization, subject to payment of such registration fee as may be established for attendance of non-members at meetings.

It should be noted that the above arrangement would not give the companies a membership classification, but would assure the Institute Contributing Members of the right to have at least one representative attend meetings (except executive sessions) for an initial period of fifteen years. No annual fee will be required for the right, other than payment of the registration fee for representatives actually attending meetings.

B. Practices Established by the Board

Subject to the constitutional rights of former Institute Contributing Members, the Board would adopt rules (including the amount of registration fee) for attendance of non-members at the meetings. The Board may wish to consider

having a maximum for the total non-members permitted at any meeting, and to have separate rules for annual and other meetings and for classes of non-members not qualifying as representatives of former Contributing Members.

4. APPROVAL OF PAPERS

A. Principles Incorporated in Constitution and By-Laws

The Constitution or By-Laws would provide that one of the duties of the Board is "to decide upon the acceptability of papers, reports, discussion or other communications offered for presentation at meetings . . . or for publication. . . ."

B. Practices Established by the Board

Committee on Papers

There was considerable concern expressed at Quebec as to the effect of having only a single Committee on Papers, but the discussion seemed to indicate that this concern would be removed if there was a method by which an author whose paper was not accepted by the Committee on Papers could have the Committee's decision subject to review. Hence it is recommended that the following practice be established by the Board:

The Committee on Papers would consist of five members—at least one of whom is not a member of the Board. The normal practice would be to have a paper reviewed by a subcommittee of three appointed for that paper. Unanimous vote by all three would mean acceptance or rejection, as the case may be, unless the subcommittee wished to have it also considered by the other Committee members. If there is not a unanimous vote by the subcommittee, the paper would be referred to the other two members of the Committee. Majority vote of the five-man Committee would determine acceptance or rejection.

Authors will have the right to appeal a Committee decision to the President who would make such inquiries as he deems appropriate and then report his recommendations to the Board.

The discussions also indicate the desirability of publishing in the Year Book "ground rules" which will be established by the Board for the guidance of authors and the Committee on Papers.

Informal Discussion

The Board would authorize the Program Committee to have reported for publication those subjects of the Informal Discussion which the Committee felt it would be advantageous to have permanently recorded for future reference by members and students.

EXHIBIT B

OCTOBER 1, 1948

TO FELLOWS, ASSOCIATES, AND CONTRIBUTING MEMBERS:

Re: Procedure for Merger of the Society and Institute

In accordance with the action taken at the Spring meetings of the Society and Institute, a joint committee has been appointed to act as an organizing commit-

tee for the new Society of Actuaries to be incorporated under the applicable Illinois Statute, and to prepare a Constitution and By-laws for the new Society to be voted upon at the Joint Meeting this Fall. The Joint Committee includes a subcommittee of incorporators as required by the Illinois Statute.

The Joint Committee, with the able assistance of its legal advisers, has prepared a memorandum setting out the proposed detailed procedure to be followed in effecting the merger, and has drafted a proposed Constitution and By-laws on the basis of the principles approved at the Joint Meeting last Fall and the Spring meetings of the Society and Institute.

The memorandum and proposed Constitution and By-laws have been reviewed by the Council and Board of Governors and they have authorized their distribution to the membership of the two bodies for study in advance of the Joint Meeting this Fall. Copies are enclosed and consideration of the recommendations and proposals therein will be on the agenda of the Joint Meeting.

The Joint Committee report approved at the Spring meetings included the recommendation that a Fellow who has served more than ten months as President will be permanently ineligible for another term as President. This raises the question as to whether that should be in effect made retroactive so that past Presidents of the Society and Institute will not be eligible for election to the office of President of the new Society of Actuaries. That is a question which should be decided by the Fellows of the Society and Institute at the Joint Meeting. Appropriate alternative wording is included in Section 2 of Article V of the proposed Constitution, and the decision as to which alternative is used will be determined by a vote by ballot at the Joint Meeting.

Please note that the proposed procedure described in Paragraph No. 2 of the enclosed memorandum contemplates that the Officers and other members of the Board of Governors of the new Society of Actuaries who will take office when the new Society is organized will be selected at the Joint Meeting this Fall.

The special Joint Committee under the Chairmanship of Mr. R. D. Murphy, which has studied the questions of the financial budget, dues, and related phases of the new organization, will report to the members at the Joint Meeting. Meanwhile, Article VIII, Section 1, of the proposed By-laws dealing with annual dues has been drafted on the basis of the scale recommended in the report of the Joint Committee. If the recommendations are approved, annual dues of Fellows and Associates will be increased by \$5.00 over the combined dues of the two present organizations. However, the recent financial reports of the two organizations show a current excess of disbursements over income, and carry the implication that, in any event, dues would have to be raised above present levels or some other financial betterment obtained. Were the merger not to take place, it is believed that the required increase in dues would have been larger. The proposed budget includes provision for a salaried Executive Secretary without dependence upon outside assistance.