



SOCIETY OF ACTUARIES

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## Chair's Corner

by Mike McLaughlin

### The Challenges Facing a Section with a Proud and Successful Past

**T**he Financial Reporting Section is large, active, and has a strong sense of identity. We comprise over 3,600 members. We held four very successful seminars last year, including one in Mexico. We helped sponsor the Fair Value Symposium, and we have organized and presented typically 14 or 15 sessions at each Society meeting. For last October's 50<sup>th</sup> Anniversary meeting of the Society, we organized a boat cruise around San Francisco Bay and published a monograph containing 20 articles and papers of lasting interest. An esteemed group led by Tom Herget is writing a textbook on U.S. GAAP, under the sponsorship of the Section. You can read more about this in this issue. Our Section has liaisons with the SOA practice areas and the American Academy of Actuaries, funds research opportunities on occasion, and last but not least, publishes the excellent newsletter you are now reading. Yet our dues are relatively low. There's plenty going on, and we are one of the most, if not the most active of the Sections of the Society. I'm proud to be a member of and chair of the Section.

### Section Identity

As to our sense of identity, Section members are bound together by closely related common interests. We have members in different companies, to be sure, even different countries. Our members include both regulators and regulatees (my computer dictionary says that "regulatees" isn't a word — but it certainly should be). Despite these differences, our interests are more closely aligned than, for example, the Product Development Section, whose members include sub-groups of life, annuity, health and supplemental product actuaries. There's always a new model law, or FASB statement, or other common problem that we have to deal with. We share insights that we gain in our understanding

of existing reserve methods, or the nuances of DAC amortization, or the impact we have on product design or pricing. And we seem to have quite an appetite for studying methods used internationally as we look for better ways to do what we do.

This strong sense of identity and camaraderie in the Section has interesting sidelights. As a member, I often think of my professional activities as Section-related, rather than Society-related. This includes the use of the newsletter, liaison activities, being a presenter at seminars, and so on. Sometimes we even forget that the Section is part of a larger entity. At one meeting some months ago, the Council was discussing a decision on some issue. One Council member wondered aloud, what would the Society think about this topic. Lois Chinnock, our Society liaison, spoke up. She admonished us, in the gentlest and politest way, "You are the Society." Food for thought, indeed. Aren't we them, and aren't they us?

### Shifting Roles

I've thought about this issue more often recently, in perhaps three contexts. With the reorganized Education & Examination syllabus, country-specific topics have been eliminated. The Section is expected to provide more continuing education (some would say basic education) in the future than it has in the past. This additional responsibility of providing more seminars and other learning events in a completely volunteer environment may present a significant burden on Section members. The full impact is not yet clear, but it seems that the Society has shifted some responsibility to the Section.

At the same time as the Section is expected to hold more seminars, a new policy on related administrative costs has taken effect. Although the details are not completely clear, the Society expects to share to a much greater extent in the profits of seminars conducted by the Sections. In the past, a flat fee was charged. Our Section has been remarkably successful over the last few years in holding seminars; they have been very well attended. Despite reductions in seminar fees, we have tended to come out ahead, shall we say, relative to administrative and travel costs. Without doing the exact math, the

effect of the new profit-sharing approach will be to sharply reduce the funds that our Section receives, while increasing the share going to the Society's Continuing Education Department.

Recently I noted that in a meeting of the Finance Practice Area, our Section, which traditionally has been aligned with the Life Practice Area, was reassigned to the Finance Practice Area. As most readers will know, the Society is organized into four practice areas, namely Life, Health, Finance (or Investment) and Pension. Each Section is informally aligned with a practice area. Should the Financial Reporting Section be aligned with the Life, when in fact many of our members work in health insurance? Perhaps not, yet is the fit with Finance a good one? Isn't the Finance Section mostly related to investments and asset issues? Regardless of the answer, how should the alignment work? Should there even be an alignment? What are the implications if there is no perfect fit?

### Communication and Understanding

As a large Section, we have special interests and specialized knowledge. We work on issues different from but complementary to those of other Section members. We play important roles for our employers. We are proud of our Section and our Society of Actuaries. Perhaps we don't fit perfectly into the practice area structure as presently laid out. But we want to continue to benefit from and contribute to our profession. Given the size, influence and identity of our Section, we want to be sure that our Section and the Society are able to communicate and work together very closely.

As a Section member, what do you think? Are we playing the right roles relative to volunteering, educating, and funding our own activities? How do these roles mesh with those of the Society? I anticipate active and continued discussion of these questions at future Council meetings and with other members of the Society. If you have an opinion, contact one of your Council members (listed in the masthead).

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