



SOCIETY OF ACTUARIES

Article from:

The Actuary

April 1978 – Volume 12, No. 4

MEMBERSHIP REQUIREMENTS

A discussion of possible changes in the membership requirements for the American Academy of Actuaries was sent out by Mr. Edwin F. Boynton, President of the Academy, under the date of January 23, 1978 with a covering letter dated March 24, 1978. Mr. Boynton has invited questions and comments.

The proposed changes are radical and far reaching and would affect the members of the Society as well as the members of the Academy, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice and the Fraternal Actuarial Association. This is a matter of great importance and we urge all members of the Society to carefully read Mr. Boynton's letters and to accept his invitation to send any comments or questions to the Academy Committee.

The Actuary would appreciate the opportunity to publish comments from Society members. Copies of letters to the Academy will be welcome along with written authority to *The Actuary* to print all or part of any letters.

Copies of the following letters have been received.

Sir:

Once again it appears we are going to re-think the question of what is, and who is an ACTUARY. While Edwin Boynton may be correct in his assertion, that the Academy standards of admission are too high for the real world, are the standards set for enrolled actuaries high enough for the complex world of the insurance actuary (even if it is adequate for the pension world)?

The issue that the Academy must consider is not only the level of the standards, but who should set the standards. If the Academy is to delegate some portion of the standards setting to others, we had better be sure that those other standards are at least as high as standards used by the Academy. The Society of Actuaries sets a high grade requirement for the graduate record exam to be equivalent to part 1 of the Society's exams.

The designation of MAAA already has attained special meanings and several uses. It is sufficient (and almost necessary) certification of the actuary who signs the annual statement. Auditors

have set Academy membership as required qualification for the person giving them comfort in "actuarial" matters. It is used in job descriptions and other classifications. If the standard is changed (especially if lowered) I believe the Academy will lose that recognition extended by insurance departments, other professionals, and employers.

There are a number of ways that the designation of actuary can be gotten other than through an actuarial body. Insurance regulators may recognize an actuary as qualified to sign a statement. Colleges give degrees in actuarial science. The Joint Board designates enrolled actuaries. We have even heard of actuaries defined by some very narrow criteria, even by the shape of their heads. The term actuary is a much misused term and we had better not set a precedent of recognizing as Academy members anybody that somebody with any authority is ready to call an actuary.

The affiliate status for enrolled actuaries seems to be a good solution to that one problem. I hope the membership will have an opportunity to vote on any proposed major change in the Academy standards of membership.

The opinion expressed herein is my own as an Academy member, and does not necessarily reflect that of my employer.

Art Teiler

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Sir:

I am writing to you as an Associate of the Society of Actuaries and an Enrolled Actuary who has not chosen in the past to become affiliated with the American Academy of Actuaries.

I was pleased to read your letter of March 24, and the January 23 paper regarding Academy membership. The proposed actions by the Academy board are sound and responsible, and will strengthen the position of the Academy as well as motivating me to apply for membership. The removal of second class membership will eliminate my objections to participation.

I have a few thoughts on the issues presented in the materials.

I suggest that the public should be aware of each member's professional specialty, both from recognition in the yearbook, and in any publications or correspondence by Academy members. I object to the suggested method of designation shown on page 9 of the

January 23 paper. Other profession designations should be displayed where appropriate to indicate special educational qualifications or experience. The additional qualifications should be sponsored or endorsed by the Academy in like manner to the Bar's recognition of tax specialist, for example.

It is my opinion that members of the Academy may and should offer opinions as informed businessmen in areas beyond their specialization based on the individual's experience, judgment, and maturity. My opinion recognizes that our publics will be aware of these attributes as much or more than our educational background.

I believe that my opinion, if shared by the body of the Academy, is the only sound response to the critics of the insurance and pension industries. If we limit our public exposure by sending a single representative who is presumably our most expert witness in matters of public debate, it is easy to be overwhelmed by the volume, emotional level, or speaking ability of our critics.

I do not wish to extend this opinion to the issuing of Actuarial Certifications by unqualified individuals, and I suggest that the Academy take a stronger public posture against such actions. Such public posture should, in my opinion, include public censure, civil litigation, and publication of the standards of the Academy among practitioners, related professionals, and agents of the insurance and pension industries.

Aside from these issues, I applaud the Academy's move. It will be a strong test of the Academy's ability to progress toward greater public recognition, and I hope the Academy members will accept the proposed changes.

Robert R. Mitchell

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Sir:

We have reviewed your release dated March 24, 1978 which contained your article of January 23, 1978. While there are many areas in your article with which we concur, the overall recommendation contained therein is something to which we take great exception.

We do not understand why it would not be appropriate to have various levels of degrees and competence within the actuarial profession. We also do not understand why the standards for doc-

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Membership Requirements

(Continued from page 4)

tors, lawyers, nurses, CPA's, dentists, etc., are extremely well defined and well controlled and yet the actuarial profession seems to be backing away from the high standards that have been established in the past. The original requirements for membership in the Academy did allow for membership through a demonstrated experience level. We believe the reason for this was that until the last decade or two, the actuarial profession was not developed to the stage where people were aware of the opportunities and requirements of the profession. Therefore, a shortage did exist and some individuals became actuaries by practice if not by education. We believe it was appropriate to recognize the early stages of the development of the actuarial profession in this manner. However, we urge you to compare the qualifications used then with what you are now proposing. We think you will find that the requirements then were a lot more stringent than those in your proposal.

We do not feel the pension excuse to set aside the professional standards that have been established in the actuarial profession is relevant. Obviously, there are full fledged actuaries who are not totally qualified in the pension area. But, in addition, there are many people who, although they may be qualified to view the actuarial aspects of a pension program, certainly could not profess to have knowledge of the actuarial functions in other areas. Again, the medical profession has set a prime example. Not all doctors are surgeons. The medical profession has various levels of degrees and recognition of expertise in specialized areas. But, in order to become a doctor at any level, one must meet very strict educational requirements.

We have deep concern that for the Academy to recognize Enrolled Actuaries at the same level of competence as FSA's, for example, will lead to a substantial lowering of the standards of our profession. In addition, we will be presently advocating that non-trained actuaries can, in fact, consult and advise on actuarial matters for which they have received no training. This will invariably lead to problems which will only cause the actuarial profession to be suspect in the minds of the public.

You state that the standards will be lowered as was done by the Government because there are not enough actuaries. The law of supply and demand is the best answer to these assumed problems and should not, in our opinion, be maintained by legislative action. When there was a shortage of doctors, did the Government lower the standards? And, even if they had tried, would the public have stood for it? If we lower the standards enough, we can make accountants actuaries and maybe even lawyers. We certainly will not have a shortage then. Obviously, the accountants are as qualified as actuaries on *some* areas of the Annual Statement. Does that mean we should recognize them as actuaries and that the State Insurance Departments should so recognize them and allow them to sign the Annual Statements? This is analogous to what we are doing by allowing Enrolled Actuaries to be full members of the Academy.

You suggested on Page 11 that the experience requirement should be modified in the case of individuals qualifying under the Government exam route. We do not see how you can draw the line at that level. This will inevitably lead to additional routes for people to become this new brand of actuary which will further lower the standards.

As a solution to this problem, we feel again that the medical profession has developed levels of degrees and educational standards for the various specialties and degrees of expertise. For example, dental assistants and anesthesiologists. We see no reason why we could not adopt similar levels.

To lower the standards for membership in the Academy will also break faith with many of the Insurance Commissioners. Fully trained actuaries have worked closely with these commissioners in assisting them to set appropriate standards to be met by an actuary for various state purposes, including signing of the NAIC Annual Statements. To dilute the standards of an MAAA after these efforts is not a responsible act.

If your proposal is adopted, you will succeed in destroying the morale of existing full fledged actuaries as well as destroying the incentive of future actuaries. The question we ask ourselves is why did we work so hard to obtain the recognition of being an actuary and now, with the stroke of a pen, we are allowing people to be recognized at the

same level with no where near the same education and experience requirements. Obviously, they have not been brought up to our level; we have been lowered to theirs. In addition, what are the people who are now working on the exams going to think? Why should they devote themselves to the strenuous exercise of passing the actuarial exams when there is now a much easier way which would put them at the same level of recognition? There is an old adage—"a chain is only as strong as its weakest link." We already have weakened the chain via the affiliate member route and your proposal goes a long way to turning that chain into a rubber band.

We strongly urge you to re-examine your proposal taking into consideration the thoughts we (and, we are sure, others) have presented.

Sincerely,

Richard D. Johnson
Douglas M. Landry
Sidney A. Mibus
Ronald E. Ryan
Ronald L. Wobbeking

Correction

March issue page 1. At the end of the first paragraph in the column *Changes in The Consumer Price Index* the date should be December 1967, not 1977.

EXAMINATIONS—1979

The Society of Actuaries examinations will be given on the following dates:

Part

- 1 Thursday, a.m., May 17 and Thursday, a.m., Nov. 8
- 2 Thursday, p.m., May 17 and Thursday, p.m., Nov. 8
- 3 Friday, a.m., May 18 and Friday, a.m., Nov. 9
- 4 Tuesday, May 15 and Wednesday, Nov. 14
- 5 Friday, May 11
- 6 Wednesday, Nov. 7
- 7 Wednesday, May 16
- 8 Tuesday, Nov. 13
- 9 Monday, May 14