

TRANSACTIONS

APRIL AND MAY, 1964

PANEL DISCUSSION

ACCREDITATION

Boston Regional Meeting

Panel Members:

HENRY F. ROOD

JOHN H. MILLER

THOMAS P. BOWLES, JR.

HENRY F. ROOD:

Forty years ago actuaries in America began to talk about accreditation of actuaries. For six years we have had committees of the various actuarial bodies studying the question. During the past year a Joint Committee on Organization of the Actuarial Profession has been actively at work in trying to work out the best method of achieving recognition of actuaries. The Board of Governors has been kept fully informed of the activities of this Joint Committee and has approved drafts of the proposals worked out by the Committee. Yesterday the Board gave its blessing to the material that was mailed to each of you last week.

At Society meetings during the last year we have presented the program to the members as it has been developed. On February 14, 1964, the Joint Committee on Organization of the Actuarial Profession sent a letter to representatives of the four actuarial bodies in the United States: the Casualty Actuarial Society, Conference of Actuaries in Public Practice, Fraternal Actuarial Association, and Society of Actuaries. This letter described the plans to form the proposed Academy of Actuaries and with it were copies of proposals covering Charter, Bylaws, Committees, and Election Procedure.

This letter was not sent to actuaries outside the United States because it primarily provided material for discussion at the various club meetings. Moreover, it was still in preliminary form and some of the most important parts were incomplete.

In that letter we stated that many of the local and regional actuarial clubs would be holding meetings shortly to discuss these proposals and

that there would be a discussion leader at each meeting who would outline plans for accreditation and be prepared to answer questions. This was done for two reasons: First, to save time and, second, because we thought it was important that every person who is earning his living as an actuary, irrespective of membership in any organization, should have an opportunity not only to express his views but to hear those of others who might be practicing in a different field or who might have achieved recognition as an actuary in a different manner.

I can report now that such meetings have been held at the following cities: Boston, Hartford, Philadelphia, New York, Detroit, Chicago, Washington, Raleigh, Atlanta, Indianapolis, Fort Wayne, St. Louis, Kansas City, Des Moines, Minneapolis, Lincoln, Denver, Dallas, Los Angeles, San Francisco, and Seattle. At this point I would like to pay special tribute to the officers and committee members who traveled far and gave much of their time to act as discussion leaders at these meetings, and I should mention in particular our President, Andy Webster; our Past-President, John Miller; and Tom Bowles who is Vice-Chairman of the Society's Committee on Status and Accreditation.

We were well pleased with the results of these meetings. There was a general acceptance of the proposals. The most frequently heard remark was: "This should have happened years ago." All the questions raised at the meetings and any changes suggested were reported back to the Joint Committee. These suggestions have been thoroughly reviewed by the Committee and a number of changes were made in the Charter and By-laws as a result of the ideas proposed. On April 15 a revised copy was mailed to all members of the actuarial bodies.

Earlier drafts of the Charter, Bylaws, and Procedures for Committees and Elections have been approved by the governing boards of the four actuarial bodies. The most recent draft was approved by the Board of Governors of the Society of Actuaries yesterday. It will be submitted to the other Boards within the next few weeks for their approval. Members of the Society will have an opportunity to express their views today and at the other regional meetings this spring. Members of the other three organizations will also discuss this subject at their spring meetings. Unless there is a large body of objectors, we will proceed with the plan to accredit actuaries.

To refresh your memory—if the plan is approved by the four organizations, we will then be in a position to approach Congress and attempt to obtain a federal charter for the American Academy of Actuaries. Time is of the essence, and we should do everything possible to obtain the charter in 1964.

If we get it, we will then be in a position to attempt to have legislation passed in individual states providing for certification of actuaries. It is probable that the legislation will be proposed first in certain key or influential states with the hope that other states may be inclined to follow their example. Where such legislation is not feasible or worthwhile or likely to be delayed, an attempt may be made to have departments in those states issue an administrative order requiring that a report to be filed with that department must be signed by an accredited actuary. Such an order may be pursued also in connection with certain departments of the federal government.

While we are asking for prompt action at this time, I should like to emphasize that our recommendations are the result and culmination of several years' work on the part of many people representing the four actuarial organizations. We have had some legal advice as to the best way to proceed from James B. Donovan and Gerald E. Bodell of Watters and Donovan, from H. Powell Yates and Richard S. Walsh of the Metropolitan, and from Daniel J. McNamara, Secretary of the National Bureau of Casualty Underwriters. These lawyers have contributed an unbelievable amount of time, energy, and talent to this project. We have worked through several drafts of the Charter and Bylaws with the help of Laurie Longley-Cook and George Bryce. We have had many meetings in an attempt to reconcile different viewpoints. Our recommendations, therefore, come to you only after much study by the Joint Committee and after a careful review and acceptance by the governing boards of the four actuarial organizations.

One other point which is important should be mentioned. There are no secret agreements. Every part of the plan has been spelled out, and we are ready and willing to answer any question put to us. The members of the Joint Committee representing the other organizations are here, and they will be willing to express their views on any point involved. At this point I think it would be well to introduce them: L. H. Longley-Cook, Casualty Actuarial Society; H. Raymond Strong, Conference of Actuaries in Public Practice; Frank J. Gadiant, Fraternal Actuarial Association.

You will be interested in knowing how the incorporators of the Academy were selected. The list includes the presidents and vice-presidents of the various actuarial organizations and additional people suggested by the presidents of those organizations, giving due regard to distribution by type of work and geographical location. It includes one woman and several actuaries who are not members of any organization but who are recognized as competent in their field.

Probably the one thing which has been most difficult to work out and

which has required the most discussion with representatives of the four actuarial organizations has been the problem of requirements for admission to membership in the Academy. I am going to call on Mr. Miller who was chairman of the Subcommittee on Membership to tell you about these problems and how they have been solved, largely through his patience and tact.

JOHN H. MILLER:

After the fourth anniversary of the founding of the Academy, membership eligibility will depend upon the passing of examinations given by or recognized by the Academy. Following the precedent of other professional groups which have obtained some form of legal recognition, there is to be a "grandfather's clause" providing for the enrollment of people presently engaged in the practice of actuarial science who may not have met comparable academic requirements but who furnish satisfactory evidence of professional competence.

In order to expedite the organization of the Academy, actuaries resident in the United States who are Fellows or voting members of the four existing actuarial bodies—Casualty Actuarial Society, Conference of Actuaries in Public Practice, Fraternal Actuarial Association, and Society of Actuaries—will be automatically enrolled unless they decline membership. Other persons affiliated with any of these four organizations may apply and will be admitted upon furnishing evidence of seven years' experience in responsible actuarial work.

The initial automatic enrollment was limited to United States residents for the reason that the Academy is looked upon primarily as a device for facilitating the accreditation of actuaries under laws or administrative rulings of the states or federal government of the United States. It is not intended, however, that there be any residence requirements as to membership in the Academy, and applications from residents of any country will be most welcome and will be processed in the same manner as for United States residents. It is expected that many residents of Canada, in particular, will be interested for business or other reasons in obtaining membership in the Academy.

Individuals who are not eligible for enrollment under either of these procedures may, if nominated by two members of the Academy, apply to the Admissions Committee, submitting evidence of their academic and professional qualifications and attainments and shall submit such other information as the Admissions Committee may require. The Committee is to be empowered to set examinations for applicants in this category but may admit qualified individuals without examination.

After the fourth anniversary of the formation of the Academy, all

applicants will be required to pass examinations. The subject matter to be covered by these examinations will be comparable in scope and depth to that presently covered by the Associateship examinations of the Society of Actuaries or Casualty Actuarial Society, which examinations will, it is expected, be recognized by the Academy as well as any comparable examinations to be established by the other organizations. Also, it is to be within the corporate powers of the Academy to provide examinations of its own should it desire to do so.

Between the fourth and seventh anniversaries of the Academy's formation, the scope of the examinations will be enlarged so as to be comparable to the examinations of the Casualty Society through Part II of the Fellowship or through Part 8 of the Society of Actuaries' examinations. This will cover quite thoroughly the fundamental aspects of either property and casualty insurance or life and health insurance and pensions. It is felt that this amount of academic training, together with seven years of experience in responsible actuarial work, will demonstrate competence in actuarial practice. Of course, the challenge and opportunity in completing the requirements for Fellowship in one of the existing actuarial organizations will be undiminished, and the candidate who has achieved membership in the Academy may be expected to proceed through the more specialized studies required in order to reach this objective.

MR. ROOD: In addition to the membership requirements, a number of other problems were brought up at the meetings. I am going to ask Mr. Bowles to discuss some of those problems. Mr. Bowles has been chairman of the Subcommittee on Accreditation of Actuaries and has contributed tremendously to the whole program.

THOMAS P. BOWLES, JR.:

In the long process of development of the Charter and the Bylaws which have been submitted to the membership of the four actuarial bodies within the last few days, there have been many, many meetings with actuarial groups around the country to discuss the proposals for the Charter and Bylaws. In this process of review and discussion, many questions arose which led to almost continuous change in the then existing drafts of the Charter and Bylaws. After all the meetings were held, Henry Rood's Joint Committee on Organization of the Actuarial Profession prepared the Charter and Bylaws which you now have.

It is interesting to review some of the more frequently raised questions. The questions listed below are not intended to be in any order of importance.

1. *Why was the name "Academy of Actuaries" selected?*

I suppose that the direct answer to that would be that "a rose by any other name would smell as sweet."

2. *Why does a Fellow of the Society need accreditation?*

Accreditation provides official and/or legal professional recognition. Actuaries are generally agreed that the actuarial profession should receive this recognition. It would be neither practicable nor desirable to have only Fellows of the Society recognized to the exclusion of other actuarial groups. Accreditation not only translates into legislative action the *de facto* accreditation which the individual actuary enjoys when he is employed by his employer or client but also develops a structure from within which the united voice of the united actuarial profession may be heard in both private and governmental councils. Thus the actuary will be able to maintain the independence and as some have said "purity" of his profession. Accreditation is a goal which can be achieved only if the actuaries themselves seek it, and only if all actuaries do it as one body. It is for this reason that the various actuarial bodies must meet on this common ground in order to achieve accreditation.

3. *What is meant by the terms "licensing," "certification," and "accreditation," and which of these do we seek?*

a) *Licensing*.—Formal permission from governmental authorities without which an individual may not carry on a specified business or profession. Lawyers and doctors are licensed.

b) *Certification*.—Documentary evidence that an individual has met governmental prescribed standards of professional knowledge. Certification may be a prerequisite to certain acts or activities. For example, the requirement that certain documents can be certified to only by a Certified Public Accountant does not prevent noncertified accountants from acting in other capacities in the field of accounting.

c) *Accreditation*.—Designation by a governmental agency or other authority of an individual as one qualified to act in a professional capacity in defined areas, for example, to sign valuation certificates.

The Academy seeks a combination of accreditation and certification.

4. *Will accreditation confer upon the individual the right to practice only in certain specified fields?*

The actuary will be accredited as an actuary not as a specialist but just as a medical doctor is first accredited as an M.D. The profession will look to a strong code of ethics for the policing of its members to assure that the actuary does not practice in those areas in which he is not qualified.

5. *What will be the function of the Academy?*

The function of the Academy is principally to provide the vehicle by which the actuaries will achieve accreditation. The Academy will not hold meetings for purposes of presentation of papers and for discussing actuarial matters. It will give examinations only to the extent that it is required to do so in accordance with its Bylaws. Perhaps even the function of examinations will not be exercised by the Academy in the years to come but will be appropriately administered by the various actuarial bodies. This may be the ultimate situation after the Conference of Actuaries has implemented its examination program.

6. *How will accreditation be actually achieved once the vehicle, namely the Academy, is established?*

Accreditation will be sought on two levels, the federal and the state. It is contemplated that initially administrative rulings will be issued by various agencies at federal and state levels following which appropriate legislative action can translate into law the procedure for actual recognition of the accredited actuary. The Joint Committee has already done much work in this area.

7. *Requirements for membership*

Obviously, one of the most difficult tasks of the Joint Committee was the establishing of membership requirements. The final membership requirements are the result of evolution to the extent that the requirements as they now stand represent adequately, the Joint Committee believes, the diverse opinions of the actuaries throughout the country.

John H. Miller, chairman of the subcommittee on membership requirements, has previously discussed this in detail. The final membership requirements are the result of very careful study and, of course, extensive discussion throughout the country. For example, the two-year service credit for Fellowship by examination reflects the changes.

It is interesting to note that the Society of Actuaries recognizes the need for experience as a basis for accreditation and that the Conference of Actuaries in Public Practice, for example, has introduced an examination requirement for membership in that body. After the transition period during which the "grandfather" clause will operate, no one may become a member of the Academy except through the process of both examinations and experience.

8. *What will be the effect of the Academy on the existing bodies?*

It is believed that the Academy will have no significant effect upon the existing bodies.

The Academy should not affect the educational programs of any of the bodies. It should not lessen the demand by employers for Fellows and Associates of the Society. It will not deprive anyone the right to practice as and to be employed as an actuary except that certificates on actuarial valuations and the like may be given only by an accredited actuary.

9. *Will I be a member?*

Obviously, this question was most frequently asked by nonmembers of the existing actuarial bodies. The only answer is that the Admissions Committee, recognizing the need to bring into the Academy all the "legitimate" actuaries, can be expected to interpret the intent of the Bylaws liberally. This liberal approach will not, however, admit those who lack the experience and demonstrated skills required to adequately perform the functions of the "certified" actuary.

MR. ROOD: I think you would be interested at this point to know what is going on in Canada because there is a very parallel operation going on up there. One of the Canadians has sat in our meetings as an observer. Ted Morrison is chairman of the Committee from the Canadian Actuarial Association and I think it would be interesting at this point for Mr. Morrison to tell us briefly about the latest developments on this subject in Canada.

J. EDWARD MORRISON:

Introduction

In Canada a Committee has been at work for the past two years studying the question of accreditation and qualification of actuaries. Just last week the Committee proposed a specific course of action to members of the Canadian Association of Actuaries at its regular April meeting, and it is proposed to seek formal authorization of this course at the Annual Meeting in June.

Objectives

The objectives of the course proposed in Canada are three in number:

1. Establishment of a new organization with legal status to replace the existing organization.
2. Maintenance of present relationship of members with the Society of Actuaries (a very important objective in our considerations).
3. Continuity with the present Canadian Association of Actuaries but with provision for changes in the future.

Main Features of Proposed New Course in Canada

Here you will note that while there are points of similarity with the course proposed in the United States, there are also a number of differ-

ences. The main differences result from the fact that in Canada at the present time the great majority of practicing actuaries are members of the Society and the present Canadian Association of Actuaries.

1. Federal incorporation by application to Parliament for a new organization—to be known as “The Canadian Institute of Actuaries.”

2. Initial membership in the Institute—all members of the Association at the date of incorporation and made up mainly of Fellows and Associates of the Society.

3. Future new members following incorporation limited to Fellows of the Society, the Institute of Great Britain, the Faculty of Actuaries, and the Casualty Actuarial Society.

4. New Associates qualifying in the future while not eligible for membership would be enrolled as “students” and have all privileges of members except voting rights and the right to be designated as a member.

5. The Institute would have provision by bylaw to provide fellowship designation for Fellows of the Society, Institute of Great Britain, Faculty, and Casualty Actuarial Society, and also for members who are Associates with 10 years’ experience of a nature approved by the Council of the Institute.

It will be recognized that this provision would be applicable for a few years only to a small closed group of present members with considerable experience who have not completed their fellowship examinations in the Society.

This provision is intended as a standard which will be acceptable to federal and provincial supervisory authorities. There is a precedence in existing statutes for recognition of fellowship status. It therefore seems desirable to create a designation within the new Institute that would make possible early passage of amendments to existing statutes and the writing of new statutes recognizing “Fellow of The Canadian Institute of Actuaries.”

6. Incorporators of the new organization will be the Council of the present Association, expanded in size so as to represent all interests of the profession in Canada and elected at the Annual Meeting in June.

7. The bylaws are not finalized as yet but it is intended that they contain adequate provision for admitting qualified actuaries from the United States desiring recognition in Canada.

Conclusion

In Canada we are therefore proposing to parallel the action proposed in the United States through federal incorporation of a new organization. Likewise, we hope this will facilitate recognition of qualified actuaries for accreditation at the federal and provincial levels and possibly ultimately

licensing at the provincial level. It differs with the proposal in the United States inasmuch as the new organization will replace the existing Canadian Association of Actuaries. It will not, however, make any change in the relationship of Canadian members in the Society of Actuaries.

Our Committee in Canada has been privileged to have a close association with Mr. Rood's Committee, and we in Canada are indebted to the Society for the leadership given on this important question going back over the past five years.

An informal discussion period followed these presentations, in which the members present were given an opportunity to ask questions of the panel members or to make comments concerning the proposed accreditation program.

Chicago Regional Meeting

A discussion, similar to that presented at the Boston regional meeting, was presented by the following panel members: Henry F. Rood, John H. Miller, Victor E. Henningsen, and Thomas P. Bowles, Jr.

Mr. William A. Keltie discussed the Canadian program for the accreditation of actuaries. Mr. John H. Miller represented the Casualty Actuarial Society; Mr. Edward D. Brown, Jr., the Conference of Actuaries in Public Practice; and Mr. Reuben I. Jacobson, the Fraternal Actuarial Association. An informal discussion period followed the panel presentations.