

# **TRANSACTIONS**

**JUNE, 1963**

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## **DIGEST OF INFORMAL DISCUSSION**

### **NEW EXAMINATION SYLLABUS**

Reports on the revised examination syllabus and the transition rules will be made by the Chairmen of the Education and Examination Committee and the Advisory Committee on Education and Examinations.

MR. BERT A. WINTER and MR. EDWIN B. LANCASTER repeated the reports which they had presented at the Earlier Regional Meeting in New York City (see *TSA XIV*, Part II, D1).

## ORGANIZATION AND PROCEDURE

*Meetings of the Society*

In planning meetings of the Society would any of the following arrangements be desirable:

1. At meetings other than simultaneous discussion sessions, should members be selected in advance to present written discussions in place of the "informal discussions"?
2. Should more than two simultaneous sessions be held?
3. Should panels be used more frequently?
4. Should discussions of papers be restricted to the presentation of a one-page prepared summary?
5. Should the Society arrange for a reception at each meeting to be financed by a registration fee from all those attending the meeting?

MR. VICTOR E. HENNINGSEN: At the time of the merger of the Actuarial Society of America and the American Institute of Actuaries into the Society of Actuaries, it was suggested that the Board of Governors should review the organization and procedure of the Society of Actuaries from "time to time." The Board received reports in 1952 and 1956 from special committees asked to make reviews. Another such special committee was appointed in 1962. The Committee was made up of seventeen members under the chairmanship of Henry Rood. This Committee submitted a report to the Board at its meeting in March which did include the questions before us today. Because of the shortage of time, it was not possible for the Board to then consider the entire report.

In the comments which follow, I have, of course, drawn on the Committee Report as well as the individual comments of Committee members which formed the basis of the report. But it should be understood that I am not speaking for the Committee.

1. *Informal discussions.*—Those of us who were members of the predecessor actuarial organizations naturally harken back to "the good old days" of true "informal discussions" when the comments of the speakers brought forth "off-the-cuff" remarks and hence a good exchange of viewpoints. But this nostalgic yearning is hardly realistic when our attendance, even at most Regional Meetings, exceeds that at the Annual Meetings of the old Institute or Society.

With the great increase in the Society membership (from 1,346 Fellows and Associates on January 1, 1953, to 2,198 at the beginning of 1963), we must recognize that almost without exception discussions are written, having been prepared in advance of the meeting. In all too many instances, these discussions overlap. For that reason, each individual seeks to be the first one to catch the eye of the presiding chairman, thereby leav-

ing it for those who follow to either make last-minute deletions or be guilty of repetitious statements, which most certainly does not contribute to high listener interest.

Realistically, then, it would seem that better organized meetings, with greater value to those in attendance because of the elimination of duplicating presentations, would result, if, for the Fall Meetings and also the larger Regional Meetings, what are now euphemistically described as "informal discussions" would be conducted along the following lines. There should be a lead speaker who will present in written form background material on the subject to be discussed. If other persons are requested to speak on the subject, they should also be asked to prepare written copies of their remarks and to collaborate on the material to be presented. The lead speaker and this group might well be formed into a panel. The meeting would then be opened for discussion by other persons. Generally, off-the-cuff remarks should not be encouraged at the Annual Meeting of the Society of Actuaries. At some of the smaller Regional Meetings and the Smaller Company Forums it would certainly be desirable to have discussions of a more informal nature.

2. *Simultaneous sessions.*—Today's program asks, "Should there be more than two simultaneous sessions?" Certainly, we would all agree that the simultaneous sessions have merit from the view of bringing together members with more homogeneous interests. Of course, smaller groups make for greater informality, which is always desired. With those generalizations in mind, how many sessions should there be? There is some opinion that the simultaneous sessions are wearing "a bit thin." Perhaps this charge suggests that we are slicing the whole too fine.

Be that as it may, the basic question might better be the organization of the topics rather than the number of sessions. For a meeting of this size, two sessions would seem about right. Some might wonder how the separate topics should be fitted together into the two sessions. For example, should Individual Health topics be included in the same session as Individual Policy Retirement Plans, or not? The particular questions may well give one answer for one meeting and a different one for another.

At larger meetings, these same topics might better be organized into more than two sessions because of the larger attendance. But at all times, regard must be had for the timeliness of the questions. The approach should not be one of first concluding that a session be held, say, on Individual Health Insurance, and then finding questions for the session. Rather, it should be, "Here are some timely and significant questions on Individual Health Insurance. They seem to add up to a worthwhile session and so we should have one."

3. *Panel presentations.*—There have been more panel presentations at recent meetings. These have added to the interest in and value of the programs. This should by all means be continued.

4. *One-page summary.*—My answer to the query, "Should discussions of papers be restricted to the presentation of a one-page prepared summary?" is a brief and unqualified, "Yes." Undoubtedly, the discussers would be more than willing to furnish complete discussions to those who would desire copies in advance of the published *Transactions*. The summaries should make for faster moving and, hopefully, briefer sessions.

5. *Social affairs.*—Lest there be any misunderstanding, I am construing the word "reception" as a euphemism for "cocktail party." Undoubtedly, many would welcome such an affair as an opportunity for becoming better acquainted with more members and for seeing old friends in a convivial atmosphere. This is the case, even though some payment would be required.

We of course have been the recipients of the hospitality of local companies on many occasions, as we were last evening. But that generous practice can hardly be expected to provide an answer as our membership continues to increase and particularly at the large Annual Meetings which are normally held at resort areas away from insurance centers.

To digress a moment, it may not be known to many of you that a number of hotels make charges for meeting-room facilities unless the Society sponsors a luncheon. This may well answer the question which some of you have had why luncheon prices have at times seemed on the high side. A registration fee would be a more direct way of covering meeting-room costs as well as other meeting expenses, such as traveling costs of the Society staff and invited panel participants and other guests.

Members will necessarily limit themselves to one luncheon, and hence a uniform charge is equitable. It must be conceded that consumptive rates and capacities of individuals at receptions are subject to great variation. Even so, a uniform charge would be equitable.

All points considered, there is much to be said for a registration fee for all Society meetings. This fee would pay for a reception for members and their ladies and would help defray the cost of the meeting, including charges for meeting rooms and expenses of the Society staff and invited guests.

MR. WILMER A. JENKINS: Mr. Henningsen concludes that the presentation of a discussion of a paper should be limited to the presentation of a one-page, prepared summary. I agree that the discussions, as presented at meetings, should be summarized in this way. However, I do not think that Mr. Henningsen meant to say nor do I think that the discus-

sions, as printed in the *Transactions*, should be limited to these one-page summaries. For example, at the discussion yesterday of the medical-expense paper, several companies presented data on their experiences, and such data, I think, are valuable information which should be printed in the *Transactions* in full.

I agree with Mr. Henningsen's conclusion on the question of simultaneous sessions, but I want to inject the thought that it might be profitable to try something a little different, such as small workshops where the meeting is broken into a rather large number of groups of the round-table discussion type. I do not know that this would work well with the Society, as we have never tried it, but I think it would be an interesting experiment.

As for our so-called "informal" discussions, I was interested recently in finding out when these discussions were started. The minutes of the meetings of the old Society and the American Institute indicated that this type of discussion started around the time of World War I, at which time the average attendance at meetings was probably one hundred or less. Perhaps we have come to the point where these "informal" discussions, which have served a very good purpose for many years, may have to be discontinued due to the increased size of the Society membership. I think many of us would regret to see this happen, although it may be necessary.

MR. BRUCE E. SHEPHERD: Although I had not intended to speak, I wish to emphasize what I think is an important point that has been made by at least two speakers, and that is the value of the informality of these discussions. I dislike to think, as Wilmer Jenkins has suggested, that possibly we have come to the time when we will have to give up the informal discussions. I think that they have always been an important part of our meetings and will continue to be if we can maintain them. I can remember too the informal discussions of years past. I can remember meetings of the American Institute of Actuaries at the La Salle Hotel in Chicago where possibly thirty or forty people were in attendance. The informal discussions of the American Institute of Actuaries were recorded in full in the *Record* of that organization, and although most of these printed discussions are of little value today, they are of historical interest. I hope that we can find some way to preserve the informal discussions of the Society of Actuaries because I think they are important.

Another point which I think is important is that younger members of the Society be encouraged to express themselves in our informal discussions. In former days this was not always the case.

**MR. B. FRANKLIN BLAIR:** I think it is an excellent idea to restrict the presentation of discussions of papers to a one-page prepared summary, except that special rules might be needed in the unusual situation where there is a timely, important, and debatable paper. I assume that there would not be a specific limit on the printed discussion of papers.

I also think it would be an excellent idea to experiment with receptions financed by registration fees of those attending.

*New Actuarial Association*

Should the Society join with other actuarial organizations on the North American continent to form a new actuarial association, membership in which will form the qualifications for a "certified actuary" for accreditation by the United States government and the governments of the various states? If such an organization is formed, should its functions include the following:

1. Establishment and maintenance of adequate professional standards of actuarial practice to insure the protection of the public's interest?
2. Establishment and enforcement of a code of professional conduct?
3. Operation of a public relations program aimed at (a) acquainting the public with the services and responsibilities of actuaries and (b) attracting to the profession a sufficient supply of actuarial students seeking to qualify for practice of the profession?

MR. VICTOR E. HENNINGSEN: In addition to the Society of Actuaries, there are three other major actuarial organizations in the United States and Canada:

Casualty Actuarial Society  
Conference of Actuaries in Public Practice  
Fraternal Actuarial Association

The question first asks whether the Society should join with these three organizations to form a new actuarial association in which membership would form the basis for accreditation by the United States and state governments.

In looking at this, is there a need for such accreditation? A concern of many actuaries at the present time is the question of status of actuaries. Actuaries are responsible for the soundness of life insurance and pension plans. Unless competent actuaries are employed, it is possible that there may be failures of life insurance companies or pension plans, and such failures would have a tremendous impact on the economy of the country and the confidence of the public in other life insurance companies and pension plans. Consequently, it is important that some form of accreditation (and/or certification or licensing) be devised to protect the public against the practice of actuarial science by unqualified persons.

If accreditation is to be achieved, many different areas of actuarial responsibility must be recognized. It is unlikely that any public body representing a national, regional, or local government would accept a basis of accreditation which did not include most of those who are now earning their living under the designation of "actuary." Consequently, any plan of accreditation must recognize that most existing "actuaries" will be included. The real benefit will accrue in the future, when it will

be impossible for others to practice actuarial science without meeting certain minimum standards.

The Canadian Association of Actuaries has already recognized this problem and has taken steps to solve it. Proposals have been made for the formation of a new association in Canada, membership in which will be the accepted standard of accreditation in that country.

A similar step must be taken in the United States. To achieve the desired results, it will be necessary to work very closely with the other three major actuarial associations.

What is the form which such an association might take? This is most important, for it is essential that the association would become a means of establishing adequate professional standards for the future and not a vehicle for giving status to some who do not meet minimum standards.

Most certainly this requires careful study. One possibility would be for a new actuarial association to have a common basic curriculum which would replace the present Associateship examinations of the Society. Then each of the four organizations could give its own specialized examinations which, in the Society, would correspond roughly to what are now the Fellowship examinations of the Society. Each of the four organizations would have its own Fellows and each would continue to be strictly autonomous. Of course, there would be some basis on which members of the present organizations could become charter members of the new association. If an association were organized along these lines, it certainly could establish and maintain adequate professional standards of actuarial practice.

Our program also asked the question, "If such an organization is formed, should its functions include: Establishment and enforcement of a code of professional conduct? Operation of a public relations program?" Such an organization should indeed have these functions and should be able to carry them out far better than the four organizations operating separately. For example, with regard to the public relations part of the program, a basic curriculum for the joint examinations based more on theory and principle and less on trade practices would have more appeal to the academic profession. Hence, co-operation from colleges and universities both in education and in recruiting should be improved. Moreover, the joint examination effort should appeal to more students as constituting a broader professional opportunity. In conclusion, may I emphasize that whether most of us realize it or not, this question of accreditation and professional standards is one of the most important, if not the most important, question confronting all of us today.



MR. JOHN H. MILLER: This, I believe, is the first time that the subject of accreditation of actuaries has been on our agenda for discussion by the membership. You have heard a number of reports from Mr. R. A. Hohaus, who was for some years chairman of our Committee To Investigate Possible Certification or Licensure of Actuaries and subsequently of the Professional Status Committee, and who, I am happy to say, is still continuing on that committee and giving us the benefit of his very extensive and intensive study of the whole subject. This matter of accreditation of actuaries has been extensively discussed by the Board and by various committees, and there are a few points arising from these discussions that I would like to emphasize.

First, there seems to be some reluctance on the part of government, both state and federal, to introduce licensing or accreditation of any profession. There is apparently a skeptical attitude that such proposals may be not so much in the public interest as in the interest of the people seeking to be licensed. Therefore, it is up to us to prove that there is a reason, other than self-interest, for accreditation.

The proposed association, as Mr. Henningsen described it, would be an organization that could open its doors pretty wide at the outset so that no one who is practicing as an actuary and doing a competent job and being relied upon by his clients will suddenly find himself out of a job because of state licensing or accreditation requirements. At the same time, this new organization could set high standards for the future.

In Canada steps have been taken toward the organization of a national association of actuaries for similar reasons, and we are fortunate in having the advice and assistance of some of our Canadian members who are guiding the development there. Fortunately, neither the Canadian nor United States proposals for the establishment of national organizations affect in any way the character or purposes of the Society, which will continue as an international professional body.

MR. J. EDWARD MORRISON: I shall endeavor to give you a brief and up-to-date summary of the progress made in Canada on the broad subject of qualification and accreditation of actuaries.

Following initial consideration of this subject by the committee of the Society formed in 1958, the Canadian Association of Actuaries appointed a similar committee in 1961 to study the question from the Canadian point of view. This committee has been actively at work over the past eighteen months and has evolved a broad general plan based on three main objectives: (1) the need for a new national organization of actuaries in Canada with legal status; (2) the desirability of having one organization with only one membership classification denoting full qualification

as an actuary; and (3) the maintenance of the present relationship of Canadian members of the new national organization with the Society of Actuaries and with membership requirements related directly to the Society.

On the need for a new national organization with legal status, the committee felt that now was the time to consider a course of action. Having regard for the existing situation in Canada with virtually all practicing actuaries being Fellows or Associates of the Society, the Institute, and the Faculty of Actuaries, it might be contended that there is no pressing need for any change at this time. On the other hand, if, as seems likely, a change will ultimately be called for, the committee felt it would be better to act now when there are fewer problems to be resolved in achieving desired changes. Furthermore, any change with ultimate licensing involved as an objective will take considerable time to achieve.

The committee therefore concluded that the first and logical step would be federal incorporation of a national association of actuaries. This incorporated body could serve as a basis for accreditation of specific services of actuaries at both the federal and provincial levels.

The second objective, namely, that we should strive to have only one national organization in Canada with only one membership classification denoting full qualification was the one that engaged the attention of the committee in many long hours of deliberation. There would be no classes of membership in the new organization along the lines of Fellows and Associates as we now have in the Society. Membership in the new organization would denote *full* membership and possession of the qualifications needed to obtain such membership. The committee feels this is an important part of the plan recommended and is essential in order to avoid any confusion in the minds of the public and legislators concerning the qualifications of an actuary.

In keeping with this second objective, the committee wanted a plan that on the one hand would be acceptable to all or the great majority of the present members of the Canadian Association of Actuaries (made up of Fellows and Associates of the Society, Institute, and Faculty) and one that would also be likely to meet standards denoting full qualification as an actuary and be acceptable to supervisory and legislative authorities.

Insofar as the future was concerned, there was an agreement that full qualification should be denoted by Fellowship status in this Society, Institute, and Faculty. A major question, where it was not easy to come up with an answer that would be acceptable to all concerned, was the form of "grandfather" clause to be applied to present members of the existing unincorporated organization who did not have fellowship status.

After a great deal of consideration of this question, it was recommended to the members that all present Associates resident in Canada would qualify as full members of the new organization *after* ten years of actuarial experience of a nature approved by the Council of the new organization. Any *present* Associate who did not qualify on this experience rule would be admitted to the new organization as a "student" for the time being and would become a member on achieving Fellowship status or the experience requirement.

New Associates of the Society residing in Canada and qualifying in the future would also be admitted to the new organization as "students" with full privileges to attend meetings. They would not, however, be eligible for membership until achieving their Fellowship.

It is also intended to make appropriate provision for qualification of individuals doing actuarial work in Canada but not residing in Canada. Also, provision will be made whereby members by examination of other recognized actuarial organizations may be admitted to membership subject to approval by the Council and the members of the new organization.

Preliminary drafts of an Act of Incorporation and By-laws for the new organization were considered by the membership of the present Association at its annual meeting held on May 30. The committee was authorized to proceed with further detailed consideration of the plan under consideration and to retain legal counsel to prepare final drafts for approval of the members of the present Association before application is made to Parliament for the Act of Incorporation. It is now believed possible for such application to be made within the next year.

The new organization would replace the existing unincorporated Canadian Association of Actuaries. Initially, it is proposed that it would take over all the present functions of the Association and would operate in much the same manner with respect to number, form, and place of meetings. Provision would, however, be made in the new Act and By-laws for sufficient flexibility to make changes deemed necessary in the future. Again I should like to stress that no change would be made in the relationship of the members to the Society, and there is no present intention of instituting special Canadian examinations.

The proposed Act is in no sense a licensing statute. Its main purpose is to give the new organization definite legal status as a possible and perhaps necessary first step to licensing, which is, with very few exceptions, a provincial responsibility. It is also hoped that membership in the new organization will be used by governments for the purpose of any statute or regulations as indicating qualification as an actuary.

**MR. LEROY T. WATKINS:** One thing that has bothered me somewhat throughout the discussion is frequent reference to state legislation. One thing, I think, the actuary has found is that his mobility is a tremendous asset and that any legislation should be on the national level, although accreditation by the state might be necessary in the state into which he moves.

**MR. ROBERT C. DOWSETT:** Is it possible that the Associateship level in the Society might be classed as equivalent to some status in the other three bodies, this level being accepted for membership in the new North American continent association? Is it possible that we can decide under the new syllabus to set the Associateship level at the level of five exams rather than at the level of eight exams in order to facilitate the acceptance by the four bodies of an equivalent level so that we could get the new North American organization off the ground?

**MR. BERT A. WINTER:** The five-exam level for Associateship under the new syllabus is a natural choice entirely independent of considerations regarding accreditation. It is the most nearly analogous level to Associateship under the old syllabus.

Also, the common core of interest of all four bodies does not extend much further than the first five exams of the new syllabus. Thus entirely apart from considerations of political popularity, there are several sound reasons for having set the Associate level where we have at the moment set it.

*"Transactions"*

In view of the heavy cost of publishing the *Transactions* and in order to get certain material into the hands of members at an earlier date, would it be desirable to:

1. Eliminate some of the material now printed in the *Transactions*?
2. Substitute a newsletter for some of the material now published in the *Transactions*?
3. Distribute digests of informal discussions on topics of current interest immediately after the meetings in typewritten form in lieu of printing this material in the *Transactions*?
4. Expand press releases to take the place of digests in the *Transactions*?

MR. VICTOR E. HENNINGSEN: Historically, it may be of interest to note that none of the material presented in the Informal Discussions of the old Actuarial Society of America was ever printed in its *Transactions*. On the other hand, the complete discussions were printed in the *Record* of the old American Institute of Actuaries.

The *Transactions* of our Society contain summaries or digests of the discussions. The summarization process is a time-consuming one. Despite the excellent work done by our editorial staff, the inclusion of any Informal Discussion material is one of the reasons for the thicker *Transactions* we have been receiving in recent years.

There is little doubt but that some of the Informal Discussions have been related to subjects which, important as they were at the time, were of current interest only. Our Program Committee might designate in advance certain subjects as being of current interest only.

Mimeographed one-page summaries might also be made available for distribution at the meetings. At least one copy of the complete discussion could be kept permanently in the Society's office. If there were more than an occasional request for copies from the author, the Society might prepare duplicates for distribution, charging for the processing and mailing. The question raises the thought of substituting a newsletter for some of the material now published in the *Transactions*. As compared with the distribution of digests and availability of complete discussions, my own view is that the newsletter approach has little to offer. Moreover, our office staff is not equipped to meet this, and we certainly should make no more demands on our already heavily burdened editorial staff.

The thought of expanding news releases possibly has merit, but as a practical matter, can we really depend on the trade journals—the great majority of whose readers have but a limited interest in actuaries and their discussions—to disseminate information that our members desire? I doubt it.

MR. ERNEST J. MOORHEAD: The Committee on Papers reluctantly declines some papers (because the material is not of permanent value) even though they clearly would be of current interest to some members. While I agree that a regular monthly newsletter may be too formidable a project for the Society to undertake, it would be useful if there were some means by which material on specialized subjects (such as some papers which are declined) could be made available through the Society office.

MR. ANDREW C. WEBSTER: I would like to suggest that we use the various local actuarial clubs for getting more information to the members. There are papers not always acceptable for a Society meeting as well as papers submitted only to club meetings which would be of interest to members in other parts of the country, and perhaps the Society should consider some means of assembling and distributing these.