



SOCIETY OF ACTUARIES

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# The Actuary

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## BOARD OF GOVERNORS

### Summary of Non-Routine Business Transacted by the Board of Governors and Executive Committee During The Four Months Ending February 28, 1979

The Board of Governors met on January 23, 1979, with 21 Board members, the Communications Manager, the Director of Education, the Administrative Officer, the General Chairman and Vice Chairman of the Education and Examination Committee, and Society Counsel in attendance.

The Executive Committee met on December 13, 1978, with all 9 committee members, the Director of Education, and one other Board member in attendance. It also met on February 15-16, 1979, with all 9 committee members, the Director of Education, Society Counsel, and four other Board members in attendance.

The following non-routine business was transacted.

**(1) Education and Examinations.** The Board reviewed a report from the Education and Examination Committee on restructuring the Society examination syllabus, and approved changes in Associateship examination parts 3, 4 and 5 effective with examinations to be held in November, 1979.

The Board also approved in concept the plans for restructuring of the Fellowship examinations, and was advised that final recommendations on these examinations will be presented to the Board at its May 23 meeting.

As a part of the development of study material on operations research, the Board authorized payment of fees for rights to use portions of existing textbooks on this subject up to an additional \$4,000 over the allocation previously approved on October 22, 1978.

The Executive Committee discussed the needs for liaison representation into the educational policy-making level of the Society under two different sets of circumstances:

- The accrediting organizations (Canadian Institute and American Academy) need a formal vehicle for informing the Society of their needs and for learning the Society's views.
- The examination sponsoring organizations likewise need to be in touch with the Society.

On the Executive Committee's recommendation the Board invited each accrediting and sponsoring organization to appoint an official liaison representative to the Education Policy Committee.

**(2) Reorganization of the Profession.** The Board approved an Agreement of Intent between the Society and the Fraternal Actuarial Association which provided for the dissolution of the Fraternal Actuarial Association and the granting of the FSA designation to certain Fellows of the Fraternal Association who are not already Fellows of the Society, and the granting of the ASA designation to certain Associates of the Fraternal Association who are not already either Fellows or Associates of the Society.

Following signing of this Agreement of Intent on behalf of both organizations, the Executive Committee authorized a special communication informing Society members of this proposal and inviting their comments.

The necessary Constitutional amendments will be presented to the Board at its meeting on May 23 and, if approved, will be put to a vote of the membership immediately thereafter.

**(3) Organization of the Society.** The Executive Committee, in response to a request from the Task Force on Special Interests (which was appointed last October), discussed extensively the considerations in meeting the needs of special interest groups within the Society and affirmed that, while the Task Force should remain sensitive to the concerns of other actuarial organizations, its primary focus should be on the needs of current and prospective Society members. A final report from this Task Force is expected at the Board's October meeting.

The Board appointed a new Special Committee on Membership Classes below Fellowship to review the entire question of appropriate membership levels in the Society, including voting rights and other related matters. This committee is expected to report to the Board at the October meeting.

**(4) Society Administration.** The Executive Committee approved a recommendation from the Administrative and Finance Committee for automatic reinstatement without further Board action of members who pay their dues within 90 days after having been dropped from the membership roll for non-payment of dues.

The Board approved a recommendation of the Administrative and Finance Committee to change the Society yearbook, beginning in 1979, to an 8½" x 11" format with more data on each member and inclusion of a separate list of members by business connection.

The Executive Committee approved a recommendation from the Administrative and Finance Committee to replace the Society's computer with one having greater capacity.

**(5) Society Meetings.** The Executive Committee approved the appointment of a Task Force on Society Meeting Effectiveness to look into the entire question of whether our meetings are achieving maximum effectiveness for our members.

The Board approved the designation of the meeting to be held in Hartford, Connecticut, on April 14-15, 1980, as a special topic meeting on "Individual Life Insurance and Annuities in the 1980's."

The Board approved future meetings on April 1-2, 1985, at the Fairmont Hotel in San Francisco, and on May 23-24, 1985, at Stouffers Riverfront Towers in St. Louis.

**(6) Society Research Activities.** The Executive Committee discussed an outline of a plan for Society research which was presented by Vice President Robin Leckie.

A broad plan for Society research activities is to be presented to the Board at its meeting on May 23.

**(7) Special Committee to Recommend New Mortality Tables for Valuation.** The Executive Committee discussed extensively the report of this committee. This report is expected to be presented to the Board at its meeting on May 23 for action.

**(8) Financial Statement Certifications.** The Board discussed the proposal by the NAIC task force on certification of property and liability company loss reserves to require

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certification of fire and casualty loss reserves by a "qualified loss reserve specialist."

The Board approved a resolution supporting the efforts of the American Academy Casualty Loss Reserves Task Force and urging members of the Society to assist the Academy in communicating the Academy's position on fire and casualty loss reserves certification to the state insurance departments.

The Board also approved sending a letter in the name of the Board of Governors of the Society to the chairman of the parent committee of the NAIC task force.

### (9) NAIC Task Force on Valuation and Nonforfeiture Values.

In response to a request from the chairman of this task force the Board approved two appointments:

(1) a special committee to design and undertake a pilot study of mortality and morbidity for credit insurance, and

((2) a special committee to study the principles underlying the valuation of accident and health benefits.

*Myles M. Gray*  
Secretary

## Retirement to Chaos

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stituency, its own working conditions, rules and funding sources.

Always in New York City the scale is immense. The total cash flowing through the department amounted to \$4 billion a year. There were nearly one million people drawing welfare, 1,400,000 eligible for food stamps and Medicaid, 375 day care centers, 165 senior citizens' centers, and so on. Medicaid was the back-breaker; it produced 400,000 claims a week. The department contained 25,000 people; its budget totalled \$400 million, a cost that, related to the total task and its complexities, seemed reasonable to me. Other communities, though having the advantage of smaller size, nonetheless must have the same problems.



## INTERNATIONAL CONGRESS OF ACTUARIES

The United States has a quota of 165 members of the International Congress of Actuaries to be held in Switzerland in 1980. Provisional registrations were received from 180 members of the U.S. Section of the International Actuarial Association. Notification has been sent to each of the 180 persons indicating whether he or she is included in the quota or is on the waiting list. Anyone who sent in a registration form and has not received a notification of status in 1978 or 1979 should write to the Secretary of the U.S. Section, John C. Wooddy, Senior Vice President, North American Reassurance Company, 245 Park Avenue, New York, New York 10017. □

The work is largely administrative, i.e., managing systems and money. There is little policy-making because laws govern what is to be done. There are, however, sticky decisions in awarding sub-contracts to voluntary agencies, there being 1,800 such contracts to be negotiated and monitored each year. To make this whole apparatus work, large and multiple systems and careful auditing are essential.

But there are so many impediments to devising and operating administrative systems in a politicized environment! The climate for management experts is not favorable and too few people are willing to join the staff. Employment is unstable and the heavy hand of political bureaucracy is enormously deterring. When, in addition, the overriding need must be to cut the budget, progress is nearly impossible.

Deficiencies and problems abounded, usually due to absence of systems and of expert management. This immense and complicated operation was being run by just a handful of people who could be called managers. And the pay scales were so poor as to discourage high competence. Among my 25,000 people I found only thirty earning as much as \$30,000 a year; and the largest salary was about \$45,000. What a contrast with an insurance company!

The management group was competent, dedicated, and diligent, but they were utterly too few. As a result, time went more to combatting emergencies and dealing with irate constituencies than to planning and improving procedures. I tried to hire additional experts but success was nearly nil.

Despite this, I was lucky to get considerable systems building done. Through an organization known as the Economic Development Council I borrowed (without cost to the City) about twenty experts from large local corporations. Organized in project teams, these achieved much in renovating and modernizing. Their benevolent help was a life-saver to me and a significant money-saver to the City. Expenses were cut by at least \$100 million a year—some by better procedures, but much by just reducing errors, duplications, laxity, and fraud.

And this job had problems and requirements you don't encounter in a large business, and for which the actuarial examinations do not prepare you. There is the amazing number of highly visible and demanding groups one must face. It was not unusual to find a demonstration at one's office door nor to confront an irate delegation in the conference room. One day my office was occupied by twenty shouting people; another day there were 1,000 Chinese massed in the street below; one evening my person was threatened by several telephone calls to my home.

Welfare — or lack of it — generates much heat. And the press loves it! After a while I measured my success by how little I appeared in the newspapers.

Frustrations, yes! — but I still believe that efficient methods and good managers can greatly improve governmental operations if given a fair chance and enough time. I hope more cities will turn to business for help. And if some of my readers turn their attention to local municipal operations I guarantee them novelty, fascination, education, and, looking back, some sense of accomplishment. It isn't a dull life! □

### Death

Max S. Bell, FSA 1929