

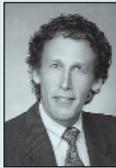
theactuary



**Society  
of  
Actuaries**

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Year in Review  
2000-2001



Robert D. Shapiro  
**Editor responsible for  
this issue**

**Editor**

Robert D. Shapiro, FSA  
shapiro@netstream.net

**Associate Editors**

Craig S. Kalman, FSA  
craig@kalman.net  
Charles C. McLeod, FSA  
cmcleod@rgare.com  
Jay A. Novik, FSA  
jay\_novik@msn.com  
Godfrey Perrott, FSA  
godfrey.perrott@milliman.com  
Anna M. Rappaport, FSA  
anna.rappaport@us.wmmercer.com

**Assistant Editors**

Morris W. Chambers, FSA  
mo.chambers@londonlife.com  
Morris Fishman  
mfishman@asabenefits.com  
Alan N. Parikh, FSA  
alan.parikh@us.wmmercer.com  
Carl A. Westman, FSA  
cw@actuaryoncall.com

**Puzzle Editors**

Louise Thiessen, FSA  
thiessen@v-wave.com  
Stephen Kinsky, FSA  
stephen.kinsky@equitable.com  
Gregory Dreher  
gregory\_dreher@phl.com

**Society Staff Contacts: 847/706-3500**

Clay Baznik  
Publishing Director  
cbaznik@soa.org  
Megan Potter  
Associate Editor  
mpotter@soa.org

The Actuary welcomes articles and letters.

Send correspondence to:

The Actuary  
Society of Actuaries  
475 North Martingale Road, Suite 800  
Schaumburg, IL 60173-2226  
Web site: www.soa.org

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Robert L. Brown, FSA, President  
Robert M. Beuerlein, FSA, Director of Publications  
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**Membership Statistics - Nov. 1, 2001**

**Membership -11/1/00**

Fellows ..... 8,991  
Associates ..... 7,405  
Total ..... 16,396

**Membership -11/1/01**

Fellows ..... 9,393  
Associates ..... 7,611  
Total ..... 17,004

**Board of Governors – 2000-2001**

**Officers**

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Robert L. Brown

*President-Elect*

W. James MacGinnitie

*Vice-Presidents*

David N. Becker

Morris W. Chambers

Sue Ann Collins

Neil A. Parmenter

Craig R. Raymond

Stephen G. Kellison

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Vincent Amoroso

Joseph A. Applebaum

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Neville S. Henderson

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Timothy C. Pfeifer

Edward L. Robbins

Shirley Hwei-Chung Shao

Judy L. Strachan

Dale H. Yamamoto

Larry D. Zimpleman

**Past Presidents**

*Immediate Past President*

A. Norman Crowder III

*Penultimate President*

Howard J. Bolnick

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**January SOA Board Meeting in Washington, D.C.**

All Society members are welcome to attend the SOA Board of Governors meeting January 15–16, 2002. It will be held at the Westin Fairfax in Washington, D.C. Minutes of board meetings are available by request. For more information, call the SOA office, 847/706-3500.

# The Presidential Luncheon

by Robert L. Brown—Address at the Annual Meeting, Oct. 23, 2001, New Orleans

I was fortunate to be able to say a special thank you last Saturday evening to the many people who made the past two years possible and enjoyable. I will mention only two today. First, I wish to recognize the immense support provided by my wife. Andrea accompanied me on many of my trips, which was most comforting to me. She was also an excellent international ambassador for the SOA.

I wish also to recognize Sarah Sanford, our SOA Executive Director. Sarah ran the office so well that I did not have to get involved in any of the day-to-day details that could have so easily distracted me. I thank you, Sarah, as a proxy for all the SOA staff who supported me for the past two years.

I also want to thank you, the membership, for electing Jim MacGinnitie to work with me as our President-Elect. Jim is one of the most capable people I have ever had the chance to work with. I can assure all of you here today that you will be in good hands for the next year. And it was a pleasure for Andrea and me to spend time with Jim and his wife, Barbara.

And finally, I want to congratulate you all for electing Harry Panjer as our new President-Elect. Once I have a moment to relax, I want to investigate the last time the Society elected two Presidents from the same mailing address this close together (if ever). Harry is a bright,

articulate, and energetic person. Look for great things from him.

One of the privileges you have as President of the Society is attending the Fellowship Admissions Courses (FACs).

This is a delightful celebration.

I want to share with you here today the message I tried to convey to the new entrants to our profession at each FAC.

I refer in my FAC remarks back to the Centennial meeting of the actuarial profession, which took place in 1989. The opening session there was all about professionalism. At that time, we were told that there were four requirements that define a profes-

sion:

1. There must be a skilled intellectual core, which requires a program of intensive training for qualification and a continuance of that training and retraining throughout a career.
2. There must exist standards of professional conduct and ethics, which take precedence over personal gain. There must be a process to enforce these standards.
3. The public acknowledges the professional's special skills and is *dependent upon them*.
4. There is a commitment to the public interest that overrides the immediate economic goals of the professional.

Thus, we can see that actuaries form a profession and that we are professionals.

Just like doctors and lawyers, the broad public cannot hope to understand what it is we do. Working people cannot understand their pension benefits or how a life insurance policy works. Thus, they *rely* on us to act as intermediaries *on their behalf*. It is this reliance that is the cornerstone of our existence. If it did not exist, neither would we.

There are no professional dance instructors or professional snow-plow drivers. We can understand what it is they do. We are not dependent upon them as professionals to act in our best interests.

Let me quote from the comments of Justice Willard Estey who opened the 1989 Centennial Celebrations:

"The true profession, if it is to be a true profession, must recognize a duty to the public to advance the condition of life in the community through the skill and knowledge of the professional whether or not that is in conflict with the immediate objective of the professional of earning his living. The first, last and almost always the paramount consideration in a profession is the component of public interest over and above self-interest."

I would add a short quote from Winston Churchill who said: "We make a living by what we get; but we make a life by what we give."

Now, moving on...

A year ago, in Chicago, I laid out my plans for my Presidential year in a six-point agenda. I'd like to take this opportunity to report on the progress that is being made.

1. Work in a totally cooperative manner to strengthen the actuarial profession in the United States.



Robert L. Brown tells attendees at this year's annual meeting about his year as SOA president and his vision for the Society's future.

2. Start the process to get QRS up and running around the world.
3. Adopt a university-based alternative to the present single route of self-study education and qualification used by the SOA.
4. Establish a "Talk to the President" Chat Line on the SOA Web Site.
5. Provide more autonomy and independence to the Practice Areas.
6. Find a broader selection of Continuing Education delivery systems and be willing to buy when a quality product exists.

I will review individually the progress on my six points.

**Establish a "Talk to the President" Chat Line on the SOA Web Site.**

Well, we established a "Talk to the President" Chat Line immediately after the Chicago meeting. I thought it went well. I got about two messages a week. Most were queries or comments on education or examinations, which may not be surprising. Many were complaints that turned out to be productive in being aired and discussed. Others were more positive and constructive, and for those, I am most grateful. I am pleased to announce that Jim MacGinnitie will be continuing with the Chat Line, so keep those cards, e-mails and letters coming.

**Find a broader selection of Continuing Education delivery systems and be willing to buy when a quality product exists.**

Online Education and other distance-learning technologies make for a greater challenge to the SOA, and that never ends. Our new Managing Director of Continuing Education, John Riley, has been on the job for five months now, and we are starting to see the effects of his energy in this capacity.

In late August, seven new courses were

added to the SOA Virtual Campus. We are looking at electronic education and a wide variety of seminars and colloquia, not necessarily offered in the traditional meeting format, and not necessarily offered specifically by the SOA. Look for rapid progress on this front in the next couple of years. We are heading in the right direction.

**Provide more autonomy and independence to the Practice Areas.**

Again, it is hard to point to a long list of hard evidence of success. Part of the reason is that this agenda item was incorporated into our new Strategic plan. You were exposed electronically to this plan last January through e-mail and on the SOA Web site. If you have not taken the time to review this aggressive plan, I recommend it for your reading. Your comments are still welcome.

As I said, the redesign of the Sections and the Practice Areas is a key point in the Strategic Plan. We have formed a Task Force, under the Chairmanship of Chris Bone, to evaluate how we can get the best results out of our Sections and Practice Areas. The purpose of the task force is to recommend a new organizational structure to leverage the strengths of Sections and Practice Areas. Sections and Practice Areas represent a vital link between the membership and the Board of Governors. As is now the norm, we will expose that report to you electronically for comment. Watch for it sometime in the next year.

**Work in a totally cooperative manner to strengthen the actuarial profession in the United States.**

I can report on some baby steps that we have taken on this important matter.



*Later, Past President Robert L. Brown presents SOA's new incoming President W. James MacGinnitie with the Presidential Medallion.*

First, the Board of Governors approved a motion allowing non-members of the SOA to join our Sections with full rights of participation but without voting privileges. That means, for example, that our friends and colleagues from ASPA (American Society of Pension Actuaries) and the CCA (Conference of Consulting Actuaries) can join our Sections in which they may have an interest and participate fully.

Second, we are organizing a new Section for actuaries from small consulting firms. This again allows many of our friends from ASPA and the CCA into Society activities. Obviously, we needed both actions to achieve the total effect.

Third, we formed a Task Force with representatives from the Academy, the Conference and the SOA to look at creating a more effective and efficient offering of meetings for our total membership. We are well on our way with the work of this Task Force, and, we are getting good cooperation from the volunteers of each organization. I again

*(continued on page 6)*

## The Presidential Luncheon

*continued from page 5*

expect to see important and tangible action on this front in the next year.

You should expect to see a lot more coordination and cooperation in the meeting offerings. And, you should expect to see more efficient and effective meetings as a result. In fact, you should demand it.

I must admit some dismay with the continued stresses and strains in our relationship with the Casualty Actuarial Society. While I see our similarities, it seems that our minor differences overwhelm our relationship. However, I can assure you that the personal relationships at the Presidential level have been courteous and professional.

As an endnote: as I finish my year as President of the SOA, I will return to professional practice in Canada and the workings of the U.S. profession will not have a day-to-day impact on me. Thus, I can ignore your internal workings if I wish. But, as someone who is about to return to being an outsider, I can tell you that you weaken the profession immeasurably by having five U.S.-based actuarial organizations. I only hope that the future leadership can be more successful in ending this unnecessary waste of energy and volunteer resources.

That leaves the two most important initiatives to me:

- **Start a five-year program to get QRS up and running around the world.**
- **Adopt a university-based alternative to the present single route of self-study education and eight exams.**

I should start by pointing out that QRS has evolved to QRA which stands for "Quantitative Risk Analyst." Both of these

matters were addressed in the recent Report of the Education and Qualification 2005 Task Force made available to everyone on September 7. At its meeting this past Sunday, your Board of Governors passed a series of motions in response to the Task Force Report.

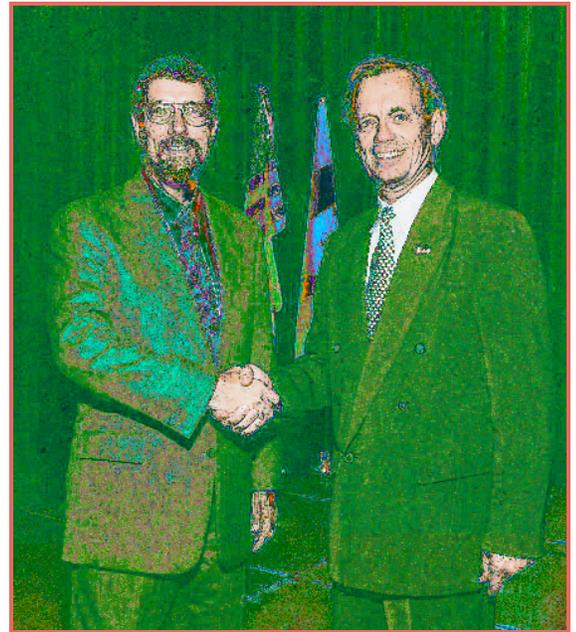
The Board named two new Task Forces to finish the work of the E&Q Task Force. One Task Force will be asked to build on the framework of the current QRA model presented in the report and to remain active in its international development. Each stage of that development will come back to the Board for specific approval. No binding decisions have been made as yet.

At the moment, we are looking at seven modules in the QRA syllabus; namely:

- Probability and Intro Statistics
- Corporate Finance and Compound Interest Theory
- Economics (both Micro and Macro)
- Statistical Methods
- Investments and Asset-Liability Management
- Modeling
- A Professionalism Course

These topics correspond very much to the *pre-actuarial* topics we now cover in our ASA syllabus. The *true actuarial* topics will be found in post-QRA syllabus material.

The QRA syllabus is meant to cover the material needed for a skill set used by many risk professionals, not just actuaries. This could include financial engineers, some CFAs and some members of the Global Association of Risk Professionals (GARP). Thus, we hope to widen



*President Robert L. Brown shakes hands with President-Elect Harry H. Panjer in New Orleans.*

measurably the number of candidates interested in future actuarial employment.

Another part of the current report outlined a method whereby students could gain credit for the first five modules of the QRA syllabus without necessarily writing SOA exams. In particular, a student who can show us a strong education (and good marks) in all of the learning objectives in any one of the QRA modules would be granted a waiver for that module. There would be no waiver available for the Modeling module.

Again, the possible implementation of waivers has been assigned to the new QRA Task Force and they will report back at every stage of development for explicit Board approval. No final decisions have been made.

A second Task Force is being appointed to look at the post-QRA syllabus, which, today, we might refer to as ASA/FSA. We were particularly sensitive, in establishing this second Task Force, that we need to spend time with our employers and with our several Practice Areas to be sure that the syllabus we create is the syllabus needed

for the next generation of actuaries. We need to allow that not all practice area actuaries have to qualify in exactly the same manner with exactly the same syllabus.

And this is not easy. Our goal is not to train actuaries. It is to educate. And it is not to educate for 2001. Rather, it is to educate equally for 2001, 2011, 2021 and to the end of one's career. We need to qualify creative and flexible actuaries, not just people who can do what we do today. That is not enough.

No further details are available at this time, but they will be made available to you as they come back to the Board from the Implementation Committee.

This, then, is my report card. I leave it to you to assign an appropriate grade.

I beg your patience with me for about five more minutes, for what I hope will be some thought-provoking material.

I draw motivation for my closing remarks from a book by Antoine de Saint-Exupéry entitled *Wind, Sand and Stars*.

Having returned from a grueling ordeal in the Sahara Desert, Saint-Exupéry has been visiting Madrid at the time of the Spanish Civil War. As he writes, he is on a train that is filled with Polish workers who are being sent back from France to Poland because of the upheaval of the impending war in Europe.

"I sat down face to face with one couple. Between the man and the woman a child had hollowed himself out a place and fallen asleep. He turned in his slumber, and in the dim lamplight I saw his face. What an adorable face! A golden fruit had been born of these two peasants. Forth from this sluggish scum had sprung this miracle of delight and grace.

"I bent over the smooth brow, over those mildly pouting lips, and I said to myself: This is a musician's face. This is the child Mozart. This is a life full of beautiful promise. Little princes in legends are not different from this. Protected, sheltered,

cultivated, and what could not this child become?

"When by mutation a new rose is born in a garden, all the gardeners rejoice. They isolate the rose, tend it, foster it. But there is no gardener for men. This little Mozart will be shaped like the rest by the common stamping machine. This little Mozart will love shoddy music in the stench of night dives. This little Mozart is condemned."

I ask you today: how many Mozarts are born each year in Canada and the United States who are condemned to the stench of night dives for lack of a gardener. And while we in this room may all be very good gardeners and nurturers, it is not enough.

As Saint-Exupéry went on to say: "It is the human race and not the individual that is wounded here, is outraged here."

The outrage is that there are young people in our communities today, in the two wealthiest societies the world has ever known, who cannot anticipate reaching their full potential—because they are not given the chance for a complete and proper education. The outrage is that we have adult members of our societies today who are illiterate and innumerate.

You might ask: "What has this got to do with the Society of Actuaries?"

Well, think of the impact we could and should have on public policy with our knowledge base.

We know that an educated worker has a better chance of being employed.

We know that an educated worker has a higher level of productivity.

We know that an educated worker will have higher income and accumulate more wealth. In fact, the income gap between the better educated and the less educated is widening.

We know the high correlation between education, income and life expectancy.

And we know the correlation between societies with equitable standards of living and peaceful societies.

Ask yourself: what would be the single most important public policy initiative today to enhance future economic growth in Canada and the United States?

The answer is: *educate our young; all of our young*

What would be the single most important public policy initiative today to raise average income and wealth for our populations?

*Answer: Educate our young; all of our young.*

What would be the single most important public policy initiative today to raise population life expectancy?

*Answer: Educate our young; all of our young.*

And what would be the single most important public policy initiative today to provide the next generation with a peaceful society?

*Answer: Educate our young; all of our young.*

Now many might argue that education is expensive. We must work to convince our public policy makers that education is not an expense—it is an investment.

Education is not a cost—it is an asset. Or as Harvard President Derek Bok stated: "If you think quality education is expensive, just try ignorance."

And so, I ask you all today to join with me to work individually and collectively to see that every young person in our countries gets a fair and equitable chance at literacy and numeracy. I ask you today to commit individually and collectively to save at least one young Mozart.

Thank you.

# Annual treasurer's report

by Stephen G. Kellison SOA Vice President/Secretary/Treasurer

The Society of Actuaries' 2000 financial results showed a favorable management basis gain of \$1,044,000. This gain is approximately 6% of revenue. These favorable results in 2000 followed a loss in 1999 of approximately 2% of revenue. This turnaround is attributable to actions taken early in the year by the Board of Governors and senior staff to utilize some natural attrition and realignment of SOA staff, as well as to pursue several other cost-saving initiatives, to strengthen the financial results for the year. A continuation of these initiatives led to a year 2001 budget calling for a gain of \$200,000. Our current expectations are that this year will end with a favorable variance to budget, despite significant negative fallout from the tragedy of September 11, 2001.

## Dues

A budget policy, which the Board has continued from the last several years, is that future dues should increase consistently with general inflation. For 2002, dues for Fellows and for Associates who became ASAs prior to 1999 will increase by \$10 to \$355, while dues for Associates who became Associates after 1998 will increase by \$5 to \$180.

## Results and next year's budget

The summary of the budget for 2002, as approved by the Board in October, is compared below with the 2000 actual and 2001 budget:

	Amounts (In \$1000s)
<b>Revenue</b>	
2000 Actual	\$18,070
2001 Budget	18,642
2002 Budget	20,371
<b>Change in Net Assets</b>	
2000 Actual	1,044
2001 Budget	200
2002 Budget	530

## Budgeted Member Equity as of 12/31/2001

\$7,709

The above figures are on our management basis of accounting, which is slightly more conservative than GAAP.

The current budgeted membership equity position of \$7.7 million is about 41% of annualized expenses, compared with a targeted range of 30-50%. As previously noted, the actual results for 2001 are expected to be better than budget. The actual results are dependent not only on income and expenses, but also on investment results. The SOA's investment income includes changes in market values, and its assets include approximately \$1.8 million in S&P indexed funds, which have been accumulated over the past few years. Not included in the \$7.7 million surplus position is an additional \$1.7 million of restricted funds (mostly Sections' surpluses).

## Four service segments

For financial management and budgeting purposes, the operations of the SOA are broken down into four service segments.

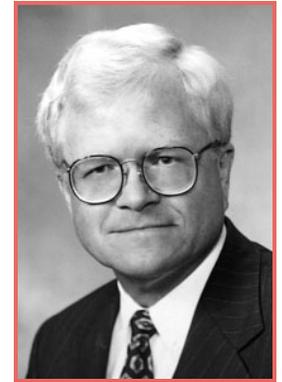
1. Basic education (E&E)
2. Continuing education (meetings and seminars)
3. Research (basic research and experience studies)
4. Member services, marketing, general overhead, and other activities.

Historically, basic and continuing education have been expected not only to be self-supporting, but also to contribute to research and to help cover overhead. Membership dues have been allocated partly to research and mostly to member services.

## Strategic Plan

A highlight of the past year has been the adoption of a new Strategic Plan for the SOA. Although the basic Strategic Plan document is in place, its implementation

has just begun. One key aspect of this new Strategic Plan is the development of a number of financial metrics which will provide a better measure of organizational performance in a number of areas than has existed in the past.



Stephen G. Kellison

## The future

As part of the Strategic Planning process, the Board intends to revisit the target objectives of the four service segments. Basic education revenue is expected to exceed direct expenses by a significant margin for the next few years, but can this be expected to continue under the long-term changes envisioned by the "Big Tent" and the changes that are under development by the Task Force on Education and Qualification 2005? For example, the financial implications of possibly implementing the Quantitative Risk Analyst (QRA) designation have not yet been fully identified and quantified.

We approach the new year with increased uncertainty as a result of the softening economy. However, despite this increased uncertainty, the Board believes that the financial condition of the organization remains strong. The year 2002 budget is a fiscally responsible blueprint providing significant value to members and other financial supporters, while also providing the needed resources for the organization to achieve its core goals and objectives for the coming year.

*(Right) Curtis E. Huntington won the John E. O'Connor, Jr. Distinguished Service Award for recognition of his volunteer service to the actuarial profession.*



*(Left) Jeffrey Beckley accepts a President's Award from Rob Brown for decades of dedication to SOA Education and Examination.*

*(Right) Robert Myers was honored with a President's Award for his contributions to the actuarial profession and his mentoring of Rob Brown in the Social Security system.*



## Presidential Awards

Rob Brown selected four winners of this year's President's Awards, presented at the 2001 Annual Meeting. The President's Awards are awarded to individuals recognizing their contributions to the profession and to the development of the President as an actuary.

This year's winners were:

**Robert Myers**, who has been instrumental in the birth, growth, and health of the U.S. Social Security System.

**Michael Bennett**, who taught Rob Brown his first actuarial science-related course at the University of Waterloo. Bennett helped him acquire a teaching position there as well, and gave him continuing support as he took his exams.

**Jeffrey Beckley**, who has given two decades of dedicated volunteer service to the basic education and examination of actuaries in the SOA.

**James A. Miles**, who was a critical player on the Design Team and led its effort in defining the content and objectives for the mathematical courses now jointly sponsored with the CAS. He now serves as General Education Chairperson for the SOA's E&E Committee.

### Other awards

Curtis E. Huntington won the John E. O'Connor, Jr. Distinguished Service Award for his hours of service to the profession, both in North America and internationally.

The Halmstad Prize was won by Uwe Schmock for "Estimating the Value of the WinCat Coupons of the Winterthur Insurance Convertible Bond: A Study of Model Risk." The Halmstad Prize is administered by AERF and given annually for actuarial research in memory of David Halmstad's significant contributions to that endeavor.

# New Orleans hosts Annual Meeting

The Hilton Riverside Hotel in New Orleans was the site of the 2001 SOA Annual Meeting and Exhibit that took place from October 21-24, 2001. Organizers took advantage of the many options New Orleans offered; for example, the Product Development Section organized a Mississippi dinner cruise for networking, socializing and dining.

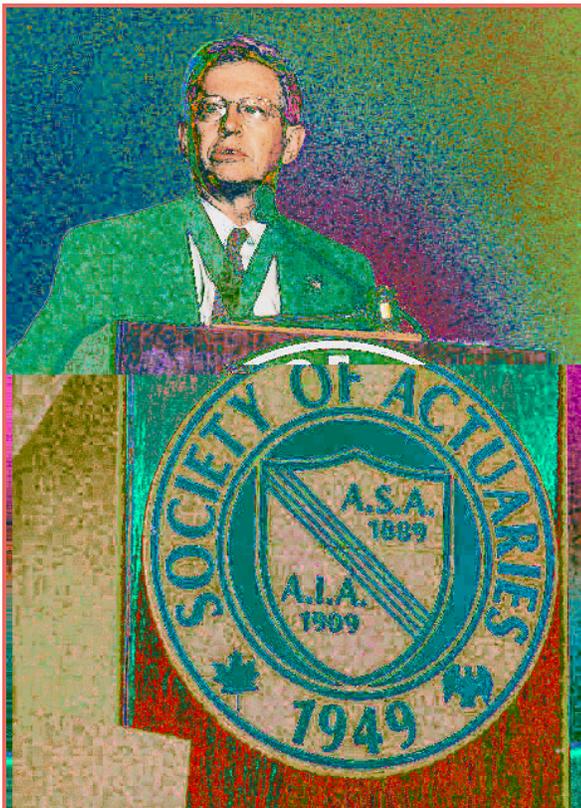
Session topics ranged from “You’ve Been Downsized!” an exploration of job-seeking strategies and opportunities in the weakening economy, to “Understanding and Managing the Risks Underlying Guaranteed Benefits in Variable Annuities.” Other popular sessions included “What’s Happening in the Provider Risk Taking Market?” and “Changing Patterns of Retirement.”

The Keynote Speaker was David K. Foot, Professor of Economics at the University of Toronto. In addition to his teaching and research, he is the best-selling author of *Boom, Bust and Echo: How to Profit from the Coming Demographic Shift* and *Boom and Bust and Echo: Profiting from the Demographic Shift in the 21<sup>st</sup> Century*.

*(Below)* Keynote Speaker David K. Foot and President Robert L. Brown answer questions from the audience regarding topics of Foot's latest book.



*(Left)* New SOA President W. James MacGinnitie addresses the crowd at the Annual Meeting regarding his plans for the future.



*(Above)* Art "Regis" Mees was the gameshow host for *Who Wants to Be An Actuary* at the 2001 New Orleans Actuarial Career Information Fair. Art is pictured here guiding a student through a series of questions about a career as an actuary.

(Right) A prospective student collects literature while speaking with representatives from Watson Wyatt Company at the SOA Actuarial Career Fair this past October.



(Below) Morris W. Chambers and David Foot take time out to pose for the camera.



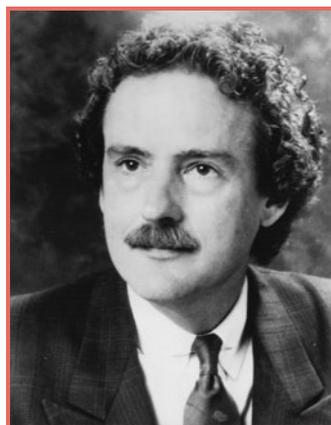
## Compelling speakers highlight Spring Meetings



*Ned Goodman*

At the SOA Spring Meeting in Dallas, May 30–June 1, attendees had over 90 sessions to choose from in the areas of Health, Long-Term Care and Pension, ranging in topic from comprehensive Medicare reform to funding of retiree medical plans.

Russell C. Coile, Senior Vice President and head of the Dallas office for Chi Systems, a national healthcare planning and management consulting firm based in Ann Arbor, MI, was the keynote speaker. He shared his knowledge regarding healthcare trends in 2001. He is a futurist specializing in the health industry.

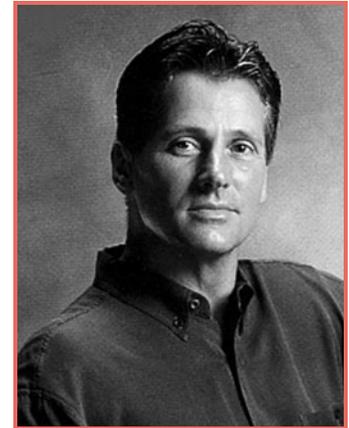


*Russell Coile*

At the Joint SOA/CIA Spring Meeting in Toronto, June 20–22, with an emphasis on Financial Reporting, Investment, and Product Development, there were over 80 sessions. Ned Goodman, Chairman, President and Chief Executive Officer of

Dundee Bancorp, Inc. and its subsidiary,

Dundee Wealth Management, Ltd., discussed investing in the 21<sup>st</sup> century, “Canada and the 21<sup>st</sup> Century-Investors’ Outlook.” Terry Evanshen was the speaker at the General Luncheon. Attendees were moved by his inspirational story of dealing with amnesia and the perseverance of the human spirit.



*Terry Evanshen*

# Strategic plan drives changes in year 2001

## SOA launches new Strategic Management Process

**F**or the SOA, the current operating environment, as well as the members' practice environment, demand increased efficiency and effectiveness from everyone. Volunteers report that they have less time and support from employers to perform the work of the Society. Thus, long-term effectiveness and success of the Society and its members requires a different way of operating. In response, the SOA has

begun development of a Strategic Management Process. Key components of that process include these four steps:

1. Regular strategic planning that produces strategic initiatives.
2. Prioritization of organizational strategic initiatives.
3. Development of organizational capability and commitment to

implement the strategic initiatives and priorities.

4. Development and utilization of tools for the Board to monitor and assure that the Society implements and progresses toward its priorities on a consistent basis.

The Strategic Plan approved by the Board of Governors in March is the first step in the Strategic Management Process. The

The Strategic Plan consists of 12 strategies for organizational effectiveness in building a new business model. They are:

1. Promote life-long learning and continuing education to all members.
2. Adopt and integrate a customer-centric philosophy and approach for all programs, products and services.
3. Change the organizational culture of the SOA toward:
  - a. More collaboration
  - b. Clearer communication and increased dialogue
  - c. Strategic continuity
  - d. Organizational effectiveness
4. Build effective partnerships between volunteers and staff:
  - a. BOG sets strategy and priorities considering diverse needs of members and current/future state of the profession.
  - b. Volunteers provide professional expertise.
  - c. Staff executes priorities.
  - d. Staff and volunteers operate as peers and as such are equally responsible to manage to the strategic plan.
5. Create a new structure that leverages section strengths, incorporates the long-term perspective of the Practice Areas, and that is directly linked to the governing body. New structure responsibilities include, in part, the following:
  - a. Link sections with common interests and concerns.
  - b. Provide content expertise in basic education CE, research, PD, and publications.
  - c. Identify key strategic issues faced by new structure and communicate them to appropriate leadership.
  - d. Assure new sections are responsive to and reflect members' needs (e.g., add/delete sections).
  - e. Provide regular communication to membership.
  - f. Provide members with direct access to colleagues with common interests and needs.
6. Define and maintain a core skill set that provides the tools for the modeling and management of the economic consequences of contingent events. Provide certification and membership in the Society of Actuaries to those who demonstrate mastery of the specified core skill set.
7. Identify and execute a research strategy that advances current state and anticipates future state of practice.
8. Increase awareness of the value that actuaries add and stimulate the demand for actuaries.
9. Offer certification of a variety of accomplishments while preserving the designations of FSA and ASA for those demonstrating commensurate depth and breadth.
10. Actively encourage development of new fields of practice.
11. Change the philosophical culture of the organization so that the strength of the actuarial profession is more important than the strength of the SOA.
12. Actively work to build an effective global actuarial community which supports the needs of members, regulators, students and the public.

\*\*\*The full plan can be found at [www.soa.org](http://www.soa.org).

plan was the result of the work of the Strategic Planning Committee spearheaded by Larry Zimpleman. The plan contains twelve initiatives that are designed to improve organizational effectiveness, better manage intellectual capital, and ultimately advance and strengthen the profession. The specific initiatives can be found below.

Since the plan was approved, much has taken place. Chief among these initiatives is the analysis of how SOA credentials should evolve to ensure value to employers. Much of this work has been included in the summary of the Task Force on Education and Qualification 2005, as detailed below.

Beyond this work, several other important initiatives have been underway. For example, The Task Force on Practice Areas and Sections, chaired by Chris Bone, was created to identify ways to leverage Section strengths

and incorporate the long-term perspective of the Practice Areas. Among other things, The Task Force is striving to identify how the SOA can better support members by identifying how processes can be reorganized to more quickly integrate practice needs with programs, products, and services. The ultimate objective of the Task Force is to have Practice Area and Section volunteers feel that their efforts contribute to advancing the profession, and that they have the resources available to carry out their roles effectively and efficiently. Comments and feedback from members will be sought as the work of the Task Force progresses.

In order to promote life-long learning and continuing education, direct and indirect education has also been addressed. Web-based training has been developed and expanded in the past year. There are currently 10 programs on the Virtual Campus, with two more potentially

available by the end of the year. The Continuing Education Department is exploring the possibility of providing Professional Development units and/or Enrolled Actuary credits through the training available on the Web site. The ability to broaden the skill set of actuaries and expand the profession into new areas of practice will be greatly facilitated by Web-based training.

Another important step in the implementation of the Strategic Plan is the initiation of market and member research. Two research efforts underway will help the SOA develop an ongoing method for evaluating its performance to meet member and employer needs. The first, member and candidate satisfaction research, will: 1)

***The ultimate objective of the Task Force is to have Practice Area and Section volunteers feel that their efforts contribute to advancing the profession, and that they have the resources available to carry out their roles effectively and efficiently.***

define needs and expectations of members and candidates; 2) measure the effectiveness of SOA programs, products and services to meeting member and candidate needs; 3) improve the offerings of the SOA; and 4) define the process and tools for annual evaluation. Satisfaction research is targeted for completion in March. The second, more general market research effort, is also targeted for completion in March. Through market research, the SOA is creating a process for continual dialogue with current and potential employers of actuaries to: 1) identify the most important skill set requirements; and 2) determine the perceptions of the actuarial profession in the marketplace. Another goal is to identify new markets in which there is a potential demand for actuarial skill sets. The market research effort will provide data that will help future task forces identify how SOA's education and qualification system might need to change.

Future updates regarding SOA's Strategic Management Process will be publicized as progress is achieved. Your comments regarding the plan are still welcome at [strategicplan@soa.org](mailto:strategicplan@soa.org).

### **Task Force on Education and Qualification 2005**

The work of the Task Force culminated in a report to the membership and a series of recommendations to the SOA's Board of Governors. Leading up to the development of the recommendations and report, the Task Force spent considerable time in dialogue with other actuarial organizations active in education and qualification of actuaries (CAS, CIA, Institute and Faculty of Actuaries in the UK, the Institute of Actuaries of Australia, and the International Actuarial Association). Each of these organizations was represented on the Task Force and contributed considerably to the progress made during the year. (Readers are encouraged to visit the SOA Web site and

access the report of the Task Force. This segment can provide only a hint of the contents of the report.)

This international collaboration has been significant, and has contributed to the confidence of the Task Force that the ideas presented to the membership and the Board are sound, and worth pursuing. The Task Force recognized the value of working to build a joint international educational effort. Identifying a universal core skill set provides a special opportunity. We may achieve universal recognition among these organizations of skill set mastery. While the Task Force recommends recognizing this skill set through a professional designation, the benefits of collaboration among these organizations are real even without that designation. If this effort is continued and expanded, it will surely help to build an effective global actuarial community, a long-term strategic initiative.

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## Strategic plan drives changes in year 2001

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The Task Force developed and agreed upon a set of competencies needed for the future actuary to be an effective and competitive professional. The competencies include essential skills, such as critical thinking, or effective communication to varied audiences, that are common to many careers, as well as recognized actuarial strengths. The list of critical competencies continues to grow, with virtually nothing falling off the list. The conclusion reached by the Task Force is that we must find ways to recognize educational accomplishments in areas that are not core actuarial competencies to retain/regain the appeal of the actuarial profession for a number of talented/ promising recruits. The recommendation presented by the Task Force to accomplish this is one of granting limited exemptions to candidates meeting (to be) established standards for some of these nonactuarial subjects.

In discussion with members and employers we learned of significant concerns with the existing education/qualification system. In particular, there is a sense within one or two key practice areas that the common core required of all actuaries (1-6) goes beyond what is universally needed for all practice areas. Practitioners and employers, for most practice areas, view the deliberate elimination of nation-specific treatment within the testing in a practice area as a problem. The question of the ASA, what it should represent in terms of skills and knowledge, and how far it should lie along the path to FSA, is being raised anew; this is an area in which we may see distinct differences among Practice Areas. All these issues need to be addressed in the upcoming year by new working groups being established.

Recurring themes were prevalent in the deliberations of the Task Force. Among these themes were the following:

- the perceived loss of promising potential entrants to the profession (being attracted

to lucrative alternatives that don't require a multi-year commitment to writing tough exams),

- the negative effect that a long and uncertain travel time to FSA has on the appeal of the profession and on support from employers.

In October, the Board of Governors disbanded the Task Force with thanks, and approved the formation of two new working groups. The work of the Task Force is to be considered a general philosophical framework for their work, but no specific decisions have been made.

Both groups will have strong representation of the practice areas and other constituent groups, and will make use of constituent advisory groups to ensure that the recommendations and decisions coming from their work are fully informed and appropriate.

One group is charged with exploring further the Preliminary Education, including the desirability (and possible process) of offering an exemption option for some of the core nonactuarial subjects. The group will also explore the concept of offering a designation to individuals who complete the core nonactuarial subjects. A subcommittee of this group will work with the international group to develop an international syllabus for these core subjects.

The second group will address Actuarial Education. It has among its first issues what the ASA should represent, where in the education/qualification process it should be bestowed, and whether there should be alternative means of attaining ASA (e.g., specialization before or after demonstrated mastery of universal core actuarial competencies). It will also address the subjects and the appropriate depth of treatment for all actuaries (within the universal core), and ensuring that the education/qualification process reflects the real needs of practitioners and employers.

Both groups will bring major issues, the underlying research, and recommendations back to the Board for full discussion and deliberation.

### Task Force on Elections

The Task Force on Elections, formed in October 2000, recommended revisions to the guidelines for the elections process. The Task Force met via conference call several times, consulted with members of the Committee on Elections (COE) and also conducted a member survey. As a result of this discussion and research, the Task Force issued a memo to the Board of Governors. The Task Force did not recommend fundamental changes to the election-related sections of the Constitution or By-Laws; rather, it recommended that the range of discretion granted to the COE be broadened somewhat and that the Committee have more flexibility and ability to exercise judgment. The Task Force therefore recommended that the current rigid entitlement-to-nomination guideline for the Vice President and President-Elect positions on the first ballot (i.e., retiring Board members/Vice Presidents are automatically nominated to the next higher office) be eliminated. The Task Force also suggested discretion of the COE on the first ballot to add names to the various slates. However, the second ballot nominees for the position of President-Elect would continue to be determined solely by the results of the first ballot. The second ballot nominees for the positions of Vice-President and elected Board Member would continue to be determined by the COE and the suggestions of the membership for these positions provided in the first ballot. Finally, The Task Force suggested a new practice on the first ballot—annually asking those members appearing on the reference list to confirm their willingness to stand for election.

## International activity

### • Examination Fee & Study Material Discount Program

The examination and study material fee discount program began on January 1, 2001. The program is designed to provide candidates who reside in economically developing countries with significant discounts on examination fees, study notes and SOA-published textbooks. To date, over 1000 applications have been approved. Of these candidates, over 400 registered for the May 2001 examination session and over 600 registered for the November 2001 examination session. Over 200 of these candidates are writing their first Society examination. Some program participant demographics include:

China 44%  
Malaysia 17%  
Philippines 12%

Other countries represented in this candidate pool are: Ghana, India, Jamaica, Mexico, Pakistan and Trinidad.

### • ICA 2002

Concerted efforts were made in 2001 to promote the International Congress of Actuaries, scheduled for March 17–23, 2002 in Cancun, Mexico. The Society of Actuaries has actively participated in the planning and organization through a task force chaired by Nancy Behrens. The task force has recruited and organized two panel discussions on two topics: Reinsurance and Bancassurance. In addition, the SOA has raffled off congress registrations among the attendees of its Spring and Annual Meetings. Penultimate SOA President Howard Bolnick is a co-chairperson of the group developing the International Health Seminar, being planned in conjunction with the Congress. This seminar will comprise the majority of the health-related sessions planned for the Congress.

Speakers from over 20 countries will be leading panel discussions on various topics including:

- Long-term-care insurance
- Income replacement insurance
- Critical illness insurance
- Supplemental private medical indemnity insurance
- Full-coverage medical indemnity
- Managed care
- Private sector health insurance supervision
- Practical state-of-the-art modeling techniques
- Public health issues

In addition, the ASTIN Colloquiums will be held from March 20–22. The SOA encourages all of its members to register to attend this unique actuarial event.

### • Other Activities

The Society of Actuaries China Region Committee remained very active this year by sponsoring a successful seminar series

## ***The Retirement Systems Practice Area's strategic planning this year has included identification of key issues facing the practice area and linking our activities to these issues.***

on June 4–12 in Hong Kong, Taiwan, Tokyo and Kuala Lumpur. There were 132, 108, 164 and 115 attendees at each respective site. Attendees were able to earn PD credit for the series that covered topics such as U.S. GAAP, appraisals and embedded values.

The Latin America Committee continued its promotion of the profession within Mexico by sponsoring an exam-taking techniques seminar with the assistance of Mexico City's Instituto Tecnológico Autónoma de México (ITAM). Over 30 actuarial science students participated

with many anticipating taking Society examination in November and May 2002.

In a cooperative effort led by members of the International and Computer Sections with the assistance of the SOA Ambassadors, a complete update of the Table Manager was undertaken. When completed in late 2001, it will be the most comprehensive mortality database of its kind. Tables will be categorized by population, valuation, and industry. Within industry categories, valuation tables are further split between life, annuity and other.

## Practice areas

The four practice areas featured progress in many different areas this year.

**Life**—A major project in the Life Practice Area during the past year and a half has been the development of the 2001 CSO Basic Table. This work was in support of the development of a new valuation standard for individual life insurance. The final report on this new table is available on the Society's Web site. Follow-up work will be the creation of a valuation table with margins that can be adopted by the NAIC as the 2001 CSO Table, which is being handled by an American Academy of Actuaries task force. However, work on variations in mortality by company in support of the setting of these margins has been done by the SOA.

**Retirement Systems**—The Practice Area has been very busy this past year. A research project, requested in response to the decline and eventual elimination of 30-year Treasury bonds, will be completed by the end of the year. The two resulting papers will address mandated interest rates and 30-year Treasury alternatives from different perspectives. The practice area is also producing its third multidisciplinary call for papers and symposium. The topic is *Retirement Implications for Demographic and Family Change*. The 19 papers will be presented at a symposium in the first half of 2002. The Retirement

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## Strategic plan drives changes in year 2001

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Systems Practice Area's strategic planning this year has included identification of key issues facing the practice area and linking our activities to these issues. For more information on the activities and resources provided by the Retirement Systems Practice Area and the Pension Section, go to the new pension web page on the SOA Web site at [www.soa.org/sections/pension.html](http://www.soa.org/sections/pension.html). You can also consult the retirement section of the Research report in this issue.

**Health**—The health practice area continued progress on several activities related to its strategic planning process that was started in early 2000. Some of the key activities included:

**Healthcare System Literature Review**  
The health practice area initiated the first phase of a research project to provide for some of the current needs in terms of modeling, assumption development, or perspectives on the current healthcare reform debate in the United States. The research objective for this initial phase is to provide a general overview of the current state of research on various aspects of and challenges to the health care system in the U.S. The objective will be accomplished by identifying and reviewing current literature and research within nine specific subtopics related to health care. An RFP for this project was issued in August 2001, with an anticipated timeline for completion in early 2002.

### Intellectual Property Management Discussion Paper

Members of the Health Benefit Systems Practice Advancement Committee served as resources to an SOA staff work group to review issues related to intellectual property management, both at the individual and organizational level. A discussion paper on this topic was presented to the Board of Governors at the October 2001 BOG meeting. In addition, an article addressing intellectual property manage-

ment concerns from the individual practitioner's perspective was written by David V. Axene, a member of the Health Benefit Systems Practice Advancement Committee, and published in the October 2001 edition of *The Actuary*.

**NAIC Health Reserves Webcast**  
The health practice area also sponsored the SOA's first Webcast, which focused on the NAIC Health Reserves Guidance Manual. More than 100 people participated in this 90-minute interactive program. Questions that were not answered during the program were posted on the SOA's discussion forum and answered on-line by the Webcast panelists, which provided an additional educational opportunity and a permanent record of information.

**Finance**—The Finance area continued to address the education of its members with a variety of sessions at the Spring and Annual Meetings, as well as several seminars. The Wharton seminar on ALM was well received and will be repeated in 2002. A seminar on risk management was offered by the Practice Area. The Valuation Actuary Symposium and the second annual Investment Actuary Symposium took place in November. An updated edition of the Private Placement Bond Default Experience Study is expected to be published in late 2001.

### Research accomplishments

**Finance—Risk Position Report Survey.** *Risk Position Reporting*, written by a team of researchers at Tillinghast-Towers Perrin headed by Anthony Dardis, looks at how the insurance industry measures and monitors risk through risk position reporting. While focusing on industry standard practices in risk position reporting, the paper also describes areas in which insurance industry practitioners believe risk position reporting in the insurance industry can be improved. This paper is available on the Research

section of the SOA Web site ([www.soa.org](http://www.soa.org)) and has been submitted to the *North American Actuarial Journal* for publication consideration.

**Health—Troubled Healthcare System with Rising Costs/Quality Issues.** To stimulate research in the health care system arena, the Health Benefit Systems Practice Area has created the Working Group on the Troubled Healthcare System.

The primary charge of this group is a three-phase research project that seeks to advance discussion on problems with the current healthcare system. The first phase of this project is a literature review, which will provide a general overview of the current state of research on various aspects of, and challenges to, the health-care system in the United States. A researcher has been selected by the Group to complete this phase.

The second phase of the project will use the literature collected in the first phase to identify areas where an actuarial perspective can provide additional value for the healthcare system discussion. The third phase will involve the communication of actuarial viewpoints on the needed models, assumption development, and evaluation process to a broader public forum.

### Life Insurance—Life Insurance Mortality and Underwriting Surveys.

The Life Insurance Mortality and Underwriting Survey Committee has completed two surveys this year. The two surveys, "Laboratory Testing Survey" and "Older Age Underwriting Practices Survey," resulted in subsequent reports summarizing the findings. The lab test survey posed questions about participating companies' internal practices on how laboratory tests became part of the underwriting paradigm; in particular, how testing changes were made, who the necessary decision-makers were and what support was needed to add a test. The older age survey investigated how

underwriting practices differ for the older age insurance market. Both of the reports can be found on the SOA Web site ([www.soa.org](http://www.soa.org)).

**Retirement Systems—Models for Retirement Policy Analysis.** The draft report *Models for Retirement Policy Analysis* by Joseph M. Anderson, Capital Research Associates, may be downloaded free of charge from the SOA Web site: <http://www.soa.org/research/macrodemographic/macrodemographic.html>.

This is a living document that will evolve based on comments sent to the SOA and by the continuing work of the researcher. In addition, an actuarial critique of the models described in the report will be added as they become available.

The SOA announced a Call for Papers on the topic of cash balance plans. This Call resulted in eight papers on different aspects of cash balance plans. These papers were presented at the Dallas Spring meeting of the SOA. Jeremy Gold was awarded first prize for his paper, *Economic Design of Cash Balance Pension Plans*. Robert L. Clark and Sylvester J. Schieber were awarded an honorable mention prize for their paper, *The Emergence of Hybrid Pensions and Their Implications for Retirement Income Security in the Twenty-First Century*. Carl L. Frammolino was awarded an honorable mention prize for his paper, *The Guaranteed Investment Defined Contribution Plan*. Raymond Murphy was also awarded an honorable mention prize for his paper, *The Cash Balance Funding Method*.

Other papers submitted were *Saving Social Security with a Cash Balance Plan*, by Jonathan Barry Forman, *The Role of Cash Balance and Traditional Defined Benefit Plans in Managing Retirement Risks*, by Karen Nowiejski, *Cash Balance Plans in a Traditional Benefit World*, by Daniel R. McMonagle, and *Who Carries What Risk for Cash Balance Pension Plans*, by Thornton Parker.

**Experience Studies—Credit Disability Table.** The NAIC Accident and Health

Working Group of the Life and Health Actuarial Task Force requested the assistance of the Society to review the current minimum morbidity valuation standards for Credit Disability Insurance. The Task Force developed a recommendation to adjust the 85CIDA table for use as a morbidity standard for policy reserves on single premium Credit Disability Insurance. This recommendation is being acted upon by the NAIC. Material related to the recommendation is available upon request from the Research Department at the Society.

#### **Committee on Knowledge Extension Research**

It has been a productive year for Committee on Knowledge Extension Research grant recipients.

Marjorie Rosenberg's research on the Statistical Methods for Monitoring Healthcare Process Measurements has resulted in two papers, one published in the *NAAJ* and the other in *Health Services and Outcomes Research Methodology Journal*.

Professors Phelim Boyle and Ken Seng Tan studied Quasi-Monte Carlo methods and their applications to actuarial science. A paper based on this research has been published in the *NAAJ*. Two additional papers were published in the *Proceedings of the 11th Annual AFIR Colloquium*. The researchers are also writing a monograph based on their research.

A study of the Interaction between Asset Liability Management and Risk Theory conducted by Dr. Jacques Janssen resulted in a paper published in *Applied Stochastic Models and Data Analysis*; a summary paper was published in *ARCH*.

Six additional reports resulting from CKER projects have been submitted to the North American Actuarial Journal for publication consideration. Updates on the status of these papers will be provided in the Research Corner of *The Actuary*. Several additional papers will be submitted for consideration shortly.

## **Web site developments**

This past year brought several changes to the SOA Web site.

- **2001 On-line Election**  
As part of a larger effort to increase voter participation, SOA Fellows were able to cast electronically their section ballot votes for Officers and the Board of Governors for the first time. With 42% of voters utilizing Web voting, it has been deemed a success .
- **Webcast**  
After the SOA NAIC Health Reserve Guidance Manual Webcast held on October 9, 2001, the SOA WebBoard held an open forum discussion as a follow-up for educational opportunities. Over 100 questions and answers were posted. The combination of the Webcast and Discussion Forums has proven successful and will bring future educational opportunities to members and non-members.
- **NAAJ**  
*The North American Actuarial Journal* was given a new look. This newly redesigned area gives you an opportunity to browse abstracts and current issues of the *NAAJ*. You will also find Guidelines for the Reviewers, Submission Guidelines for Authors, plus general information.
- **Virtual Campus**  
In August, SOA Continuing Education added seven new programs to the Virtual Campus, bringing the total number of offerings to 10. One of the new titles, "The Art of the Expert Witness," represents SOA's most ambitious Web-based training program to date. Two additional courses on Risk and Insurance and Experience Studies should be completed by year's end.

## The deaths of the following members were reported to the SOA in the past year:

Member's Name	Affiliation(s)	Year of Death
John W. Atteridg	FSA 1984, MAAA 1981, FCA 1985, EA-I 1982	2001
Peter C. Bain	ASA 1965, MAAA 1969	2001
Raymond Bierschbach	FSA 1961, MAAA 1965	2001
Yvon R. Boucher	ASA 1969, MAAA 1981	2001
Charles Britton	FSA 1978	2001
William C. Brown	FSA 1941, MAAA 1965	2000
Kenneth R. Campbell	FSA 1955, MAAA 1965	2000
Michael A. Cochrane	FSA 1976, FCIA 1977	2001
Fred DeBartolo	ASA 1954, ACA 1961	2001
Munir Dewji	FSA 1985, FCIA 1985	2001
Arthur Ericson	FSA, 1957, MAAA 1965	2001
Lloyd K. Friedman	FSA 1937, MAAA 1935	2001
Nathaniel Gaines	FSA 1962, MAAA 1965, FCA 1963 ACAS 1954, EA-I 1976	2001
Alan Goldberg	FSA 1969, MAAA 1966	2001
Jack M. Hannaford	FSA 1963	2001
Harold F. Harrigan	FSA 1948, MAAA 1965	2001
Bertha Harris	FSA 1948, MAAA 1965	2000
John G. Haslam	ASA 1973, FIA 1937	2001
Rea B. Hayes	FSA 1945, MAAA 1965,	2001
Ralph J. Healey Jr.	FSA 1969, MAAA 1966, EA 1976	2001
W. Allan Keltie	FSA 1946, FCIA 1965	2001
Albert H. Kretschmer, Jr.	FSA 1944, MAAA 1965	2001
George Kensit	ASA FIA, FIAA 1939	2001
Michael Krosky	FSA 1967, MAAA 1968, ACA 1977 EA 1976, MSPA 1990	2000
Yves Laneuville	FSA 1974, FCIA 1974	2001
Jose P. Mallari	ASA 1988	2001
Meyer Melnikoff	FSA 1943, MAAA 1965	2001
Gregory M. Mills	FSA 1991, MAAA 1990	2001
Cecil J. Nesbitt	FSA 1946, MAAA 1965	2001
William L. O'Connor	FSA 1951, MAAA 1965	2001
Joseph B. Pharr	FSA 1967, MAAA 1967	2001
Robert G. Perry	FSA 1955	2001
Edward J. Porto	FSA 1965, MAAA 1965 SOA Director of Publications 1984-1984	2001
Eric C. Ruliffson	FSA 1977, MAAA 1978, EA 1978	2001
William H. Schmidt	FSA 1946, MAAA 1965	2001
F. Russell Schneider	FSA 1950, MAAA 1965	2000
Morgan L. Shelor	FSA 1969, MAAA 1968	2001
Peter J. Spellman	FSA 1958, MAAA 1965	2001
O. Conrad Stewart	FSA 1971, MAAA 1966	2000
R. Maurice Whitby	ASA 1958, FCIA 1965	2001
Jack Wood	FSA 1958	2001
David Yanis	FSA 1966, MAAA 1966, FCA 1972, EA-I 1976	2000