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TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

HEARINGS

BEFORE

SUBCOMMITTEE NO. 4

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

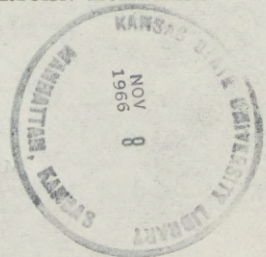
ON

H.R. 4470, H.R. 5987, and S. 1154

PROPOSALS TO INCORPORATE THE AMERICAN ACADEMY
OF ACTUARIES

FEBRUARY 16, 1966

Serial No. 19



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TO INCORPORATE THE AMERICAN
ACADEMY OF ACTUARIES

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APPENDIX

1. The first of these is the question of the origin of the word "appendix". It is derived from the Latin word "appendere", which means "to hang on" or "to add".
2. The second question is whether an appendix is a part of the main text or a separate section. The answer is that it is a separate section, but it is closely related to the main text.
3. The third question is whether an appendix is a necessary part of a document. The answer is that it is not always necessary, but it is often useful.
4. The fourth question is whether an appendix is a part of the bibliography. The answer is that it is not, but it is often included in the same section.
5. The fifth question is whether an appendix is a part of the index. The answer is that it is not, but it is often included in the same section.
6. The sixth question is whether an appendix is a part of the table of contents. The answer is that it is not, but it is often included in the same section.
7. The seventh question is whether an appendix is a part of the footnotes. The answer is that it is not, but it is often included in the same section.
8. The eighth question is whether an appendix is a part of the main text. The answer is that it is not, but it is often included in the same section.
9. The ninth question is whether an appendix is a part of the introduction. The answer is that it is not, but it is often included in the same section.
10. The tenth question is whether an appendix is a part of the conclusion. The answer is that it is not, but it is often included in the same section.

INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

WEDNESDAY, FEBRUARY 16, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
SUBCOMMITTEE No. 4,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2226, Rayburn Office Building, Hon. Byron G. Rogers, chairman of the subcommittee, presiding.

Present: Representatives Rogers, Whitener, Grider, Jacobs, MacGregor, Mathias, and McClory.

Also present: Benjamin Zelenko, counsel to the subcommittee; Allan Cors, associate counsel.

Mr. ROGERS. The committee will come to order.

The subject matter of this hearing is legislation designed to confer a Federal charter on an organization known as the American Academy of Actuaries. These proposals include the following identical bills: H.R. 4470, introduced by Representative Boggs of Louisiana; H.R. 5987, introduced by Representative Boland of Massachusetts, and S. 1154, sponsored by Senator Dodd of Connecticut. These bills will be placed into the record at this point.

(The bills referred to are as follows:)

[H.R. 4470, 89th Cong., 1st sess.]

A BILL To incorporate the American Academy of Actuaries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CORPORATION CREATED

SECTION 1. The persons named below and their successors are hereby created and declared to be a body corporate by the name of "American Academy of Actuaries" (hereinafter referred to as the "corporation") and by such name shall be known and have perpetual succession and the powers and limitations contained in this Act.

THE INCORPORATORS

John C. Angle, Lincoln, Nebraska.
Clarence L. Alford, Nashville, Tennessee.
John C. Archibald, Des Moines, Iowa.
Henry E. Blagden, Newark, New Jersey.
Thomas P. Bowles, Junior, Atlanta, Georgia.
Dorrance C. Bronson, Washington, District of Columbia.
Edward D. Brown, Junior, Chicago, Illinois.
Harley N. Bruce, Chicago, Illinois.
George M. Bryce, Fort Wayne, Indiana.
George B. Buck, Junior, New York, New York.
Donald G. Clark, Stamford, Connecticut.

Harold E. Curry, Bloomington, Illinois.
 Mary M. Cusic, Rock Island, Illinois.
 Charles C. Dubuar, Albany, New York.
 John K. Dyer, Junior, Philadelphia, Pennsylvania.
 Gilbert W. Fitzhugh, New York, New York.
 Frank J. Gadiant, Rock Island, Illinois.
 Walter C. Green, Salt Lake City, Utah.
 Frank L. Griffin, Junior, Chicago, Illinois.
 William E. Groves, New Orleans, Louisiana.
 Frank Harwayne, New York, New York.
 William J. Hazam, Wakefield, Massachusetts.
 Victor E. Henningsen, Milwaukee, Wisconsin.
 Reinhard A. Hohaues, Greens Farms, Connecticut.
 Reuben I. Jacobson, Minneapolis, Minnesota.
 Wilmer A. Jenkins, New York, New York.
 Walter Klem, New York, New York.
 Meno T. Lake, Los Angeles, California.
 Edwin B. Lancaster, New York, New York.
 William Leslie, Junior, New York, New York.
 Joseph Linder, New York, New York.
 Laurence H. Longley-Cook, Philadelphia, Pennsylvania.
 Lauren J. Lutz, Syracuse, New York.
 Daniel J. McNamara, New York, New York.
 Norton E. Masterson, Stevens Point, Wisconsin.
 Allen L. Mayerson, Lansing, Michigan.
 Charles Mehlman, San Francisco, California.
 Carlton H. Menge, Tulsa, Oklahoma.
 John H. Miller, Springfield, Massachusetts.
 Wendell A. Milliman, Seattle, Washington.
 Thomas E. Murrin, San Francisco, California.
 Joseph Musher, Washington, District of Columbia.
 Robert J. Myers, Washington, District of Columbia.
 Carroll E. Nelson, Saint Louis, Missouri.
 A. C. Olshen, San Francisco, California.
 H. Lewis Rietz, Houston, Texas.
 Henry F. Rood, Fort Wayne, Indiana.
 Walter O. Rugland, Appleton, Wisconsin.
 David G. Scott, Chicago, Illinois.
 Charles A. Siegfried, New York, New York.
 H. Raymond Strong, Dallas, Texas.
 Oscar Swenson, Los Angeles, California.
 Harmon R. Taylor, Cedar Rapids, Iowa.
 G. Frank Waites, San Francisco, California.
 Andrew C. Webster, New York, New York.
 Bert A. Winter, Newark, New Jersey.

COMPLETION OF ORGANIZATION

SEC. 2. A majority of the persons named in section 1 of this Act are authorized to meet to complete the organization of the corporation by the election of officers and directors to serve until the close of the first annual meeting of the corporation, and by the adoption of bylaws not inconsistent with this Act, and by doing all other acts necessary to carry into effect the provisions of this Act.

OBJECTS AND PURPOSES OF CORPORATION

SEC. 3. The objects and purposes of the corporation shall be:

- (1) To advance the knowledge of actuarial science, which had its origin in the application of the doctrine of probabilities to human affairs and from which life insurance, pension plans, casualty insurance, and other analogous institutions derive their principles of operation;
- (2) To encourage the considerations of all monetary questions involving, separately or in combination, the mathematical doctrine of probabilities and the principles of interest;
- (3) To promote education in actuarial science and the interchange of information among actuaries and among the various actuarial organizations;
- (4) To establish, promote, and maintain high standards of conduct and competence within the actuarial profession;

In furtherance of these ends the corporation may promote activities to recruit and educate those who desire to become actuaries and to undertake such other activities as may seem desirable.

POWERS OF CORPORATION

SEC. 4. The corporation shall have the following powers:

- (1) To adopt, amend, and alter bylaws, not inconsistent with the laws of the United States or of any State, territory, or possession of the United States in which the corporation is to operate, for the management of its property and the regulation of its affairs;
- (2) To adopt, use and alter a corporate seal;
- (3) To choose such officers, managers, agents, and employees as the business of the corporation may require;
- (4) To sue and be sued, complain and defend in any court of competent jurisdiction;
- (5) To contract and be contracted with;
- (6) To transfer, lease, or convey real or personal property;
- (7) To take and hold by lease, gift, purchase, grant, devise, bequest, or otherwise, any property, real or personal, necessary for carrying into effect the purposes of the corporation subject to the applicable provisions of law of any State or the District of Columbia (a) governing the amount or kind of real and personal property which may be held by, or (b) otherwise limiting or controlling the ownership of real and personal property by a corporation operating in such State or the District of Columbia;
- (8) To borrow money for the purpose of the corporation, issue bonds, or other evidence of indebtedness therefor, and secure the same by mortgage or pledge, subject to applicable Federal or State laws or to the laws of the District of Columbia;
- (9) To do any and all acts necessary and proper to carry out the objects and purposes of the corporation.

PRINCIPAL OFFICE; TERRITORIAL SCOPE OF ACTIVITIES; RESIDENT AGENT

SEC. 5. (a) The principal office of the corporation shall be established at such place as its board of directors deems appropriate.

(b) The activities of the corporation may be conducted throughout the various States, territories, and possessions of the United States.

(c) The corporation shall maintain at all times in the District of Columbia a designated agent authorized to accept service of process for the corporation, such designation to be filed in the office of the clerk of the United States District Court for the District of Columbia.

(d) Notice to, or service upon such agent, or mailed to the business address of such agent, shall be deemed sufficient notice of service upon the corporation.

MEMBERSHIP; VOTING RIGHTS

SEC. 6. (a) Eligibility for membership in the corporation and the rights and privileges of members shall, except as provided in this Act, be determined according to the bylaws of the corporation.

(b) Each member shall be entitled to one vote on each matter submitted to a vote at all meetings of the members of the corporation.

GOVERNING BODY; COMPOSITION; TENURE

SEC. 7. The corporation shall be governed by a board of directors composed of not less than ten or more than thirty-five members. The method of election, term of office, and other matters pertaining to the board of directors shall be provided in the bylaws.

OFFICERS; POWERS AND DUTIES

SEC. 8. (a) The officers of the corporation shall be members of the corporation and shall consist of a president, the number of vice presidents provided in the bylaws, a secretary, a treasurer, and such other officers as may be provided in the bylaws.

(b) The officers shall perform such duties and have such powers as the bylaws and the board of directors may from time to time prescribe.

4 TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

USE OF INCOME; LOANS TO OFFICERS, DIRECTORS, OR EMPLOYEES

SEC. 9. (a) No part of the income or assets of the corporation shall inure to any member, officer, or director, or be distributable to any such person during the life of the corporation or upon dissolution or final liquidation. Nothing in this subsection, however, shall be construed to prevent the payment of reasonable compensation to officers of the corporation in amounts approved by the board of directors of the corporation.

(b) The corporation shall not make loans to its officers, directors, or employees. Any director who votes for or assents to the making of a loan to an officer, director, or employee of the corporation, and any officer who participates in the making of such loan, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

NONPOLITICAL NATURE OF CORPORATION

SEC. 10. The corporation and its members, officers, and directors, as such, shall not contribute to or otherwise support or assist any political party or candidate for elective public office.

LIABILITY FOR ACTS OF OFFICERS AND AGENTS

SEC. 11. The corporation shall be liable for the acts of its officers and agents when acting within the scope of their authority.

PROHIBITION AGAINST ISSUANCE OF STOCK OR PAYMENT OF DIVIDENDS

SEC. 12. The corporation shall have no power to issue any shares of stock, to declare or pay any dividends.

BOOKS AND RECORDS; INSPECTION

SEC. 13. (a) The corporation shall keep correct and complete books and records of account. It shall also keep minutes of the proceedings of the meetings of its members, its board of directors, and committees having any authority under the board of directors. It shall also keep at its principal office a record of the names and addresses of its members entitled to vote.

(b) All books and records of the corporation shall be open for inspection by any member of the corporation or his agent or attorney for any proper purpose at any reasonable time.

AUDIT OF FINANCIAL TRANSACTIONS; REPORT TO THE CONGRESS

SEC. 14. (a) The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audit shall be conducted at the place or places where the accounts of the corporation are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit shall be made available to the person or persons conducting the audit; and full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(b) A report of such audit shall be made by the corporation to the Congress not later than six months following the close of the fiscal year for which the audit is made. The report shall set forth the scope of the audit and include such statements, together with the independent auditor's opinion of those statements, as are necessary to present fairly the corporation's assets and liabilities, surplus or deficit with an analysis of the changes therein during the year, supplemented in reasonable detail by a statement of the corporation's income and expenses during the year including (1) the results of any trading, manufacturing, publishing, or other commercial-type endeavor carried on by the corporation, and (2) a schedule of all contracts requiring payments in excess of \$10,000 and any payments of compensation, salaries, or fees at a rate in excess of \$10,000 per annum. The report shall not be printed as a public document.

USE OF ASSETS UPON DISSOLUTION OR LIQUIDATION

SEC. 15. Upon final dissolution or liquidation of the corporation, and after the discharge or satisfaction of all outstanding obligations and liabilities, the remaining assets of the corporation shall be used by the board of directors for one or more of the purposes stated in section 3 of this Act.

EXCLUSIVE RIGHT TO NAME AND SEALS

SEC. 16. The corporation shall have sole and exclusive right to use the name "American Academy of Actuaries" and such seals as the corporation may lawfully adopt.

RESERVATION OF RIGHT TO AMEND OR REPEAL CHARTER

SEC. 17. The right to alter, amend, or repeal this Act is expressly reserved to the Congress.

[H. R. 5987, 89th Cong., 1st sess.]

A BILL To incorporate the American Academy of Actuaries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CORPORATION CREATED

SECTION 1. The persons named below and their successors are hereby created and declared to be a body corporate by the name of "American Academy of Actuaries" (hereinafter referred to as the "corporation") and by such name shall be known and have perpetual succession and the powers and limitations contained in this Act.

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(2) To adopt, use and alter a corporate seal;

(3) To choose such officers, managers, agents, and employees as the business of the corporation may require;

(4) To sue and be sued, complain and defend in any court of competent jurisdiction;

(5) To contract and be contracted with;

(6) To transfer, lease, or convey real or personal property;

(7) To take and hold by lease, gift, purchase, grant, devise, bequest, or otherwise, any property, real or personal, necessary for carrying into effect the purposes of the corporation subject to the applicable provisions of law of any State or the District of Columbia (a) governing the amount or kind of real and personal property which may be held by, or (b) otherwise limiting or controlling the ownership of real and personal property by a corporation operating in such State or the District of Columbia;

(8) To borrow money for the purpose of the corporation, issue bonds, or other evidence of indebtedness therefor, and secure the same by mortgage or pledge subject to applicable Federal or State laws or to the laws of the District of Columbia;

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(b) The officers shall perform such duties and have such powers as the bylaws and the board of directors may from time to time prescribe.

USE OF INCOME; LOANS TO OFFICERS, DIRECTORS, OR EMPLOYEES

SEC. 9. (a) No part of the income or assets of the corporation shall inure to any member, officer, or director, or be distributable to any such person during the life of the corporation or upon dissolution or final liquidation. Nothing in this subsection, however, shall be construed to prevent the payment of reasonable compensation to officers of the corporation in amounts approved by the board of directors of the corporation.

(b) The corporation shall not make loans to its officers, directors, or employees. Any director who votes for or assents to the making of a loan to an officer, director, or employee of the corporation, and any officer who participates in the making of such loan, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

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SEC. 11. The corporation shall be liable for the acts of its officers and agents when acting within the scope of their authority.

8 TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

PROHIBITION AGAINST ISSUANCE OF STOCK OR PAYMENT OF DIVIDENDS

SEC. 12. The corporation shall have no power to issue any shares of stock, to declare or pay any dividends.

BOOKS AND RECORDS; INSPECTION

SEC. 13. (a) The corporation shall keep correct and complete books and records of account. It shall also keep minutes of the proceedings of the meetings of its members, its board of directors, and committees having any authority under the board of directors. It shall also keep at its principal office a record of the names and addresses of its members entitled to vote.

(b) All books and records of the corporation shall be open for inspection by any member of the corporation or his agent or attorney for any proper purpose at any reasonable time.

AUDIT OF FINANCIAL TRANSACTIONS; REPORT TO THE CONGRESS

SEC. 14. (a) The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audit shall be conducted at the place or places where the accounts of the corporation are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit shall be made available to the person or persons conducting the audit; and full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(b) A report of such audit shall be made by the corporation to the Congress not later than six months following the close of the fiscal year for which the audit is made. The report shall set forth the scope of the audit and include such statements, together with the independent auditor's opinion of those statements, as are necessary to present fairly the corporation's assets and liabilities, surplus or deficit with an analysis of the changes therein during the year, supplemented in reasonable detail by a statement of the corporation's income and expenses during the year including (1) the results of any trading, manufacturing, publishing, or other commercial-type endeavor carried on by the corporation, and (2) a schedule of all contracts requiring payments in excess of \$10,000 and any payments of compensation, salaries, or fees at a rate in excess of \$10,000 per annum. The report shall not be printed as a public document.

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SEC. 15. Upon final dissolution or liquidation of the corporation, and after the discharge or satisfaction of all outstanding obligations and liabilities, the remaining assets of the corporation shall be used by the board of directors for one or more of the purposes stated in section 3 of this Act.

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SEC. 16. The corporation shall have sole and exclusive right to use the name "American Academy of Actuaries" and such seals as the corporation may lawfully adopt.

RESERVATION OF RIGHT TO AMEND OR REPEAL CHARTER

SEC. 17. The right to alter, amend, or repeal this Act is expressly reserved to the Congress.

[S. 1154, 89th Cong., 1st sess.]

AN ACT To incorporate the American Academy of Actuaries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CORPORATION CREATED

SECTION 1. The persons named below and their successors are hereby created and declared to be a body corporate by the name of "American Academy of Actuaries" (hereinafter referred to as the "corporation") and by such name shall be known and have perpetual succession and the powers and limitations contained in this Act.

THE INCORPORATORS

John C. Angle, Lincoln, Nebraska.
 Clarence L. Alford, Nashville, Tennessee.
 John C. Archibald, Des Moines, Iowa.
 Henry E. Blagden, Newark, New Jersey.
 Thomas P. Bowles, Junior, Atlanta, Georgia.
 Dorrance C. Bronson, Washington, District of Columbia.
 Edward D. Brown, Junior, Chicago, Illinois.
 Harley N. Bruce, Chicago, Illinois.
 George M. Bryce, Fort Wayne, Indiana.
 George B. Buck, Junior, New York, New York.
 Donald G. Clark, Stamford, Connecticut.
 Harold E. Curry, Bloomington, Illinois.
 Mary M. Cusic, Rock Island, Illinois.
 Charles C. Dubuar, Albany, New York.
 John K. Dyer, Junior, Philadelphia, Pennsylvania.
 Gilbert W. Fitzhugh, New York, New York.
 Frank J. Gadiant, Rock Island, Illinois.
 Walter C. Green, Salt Lake City, Utah.
 Frank L. Griffin, Junior, Chicago, Illinois.
 William E. Groves, New Orleans, Louisiana.
 Frank Harwayne, New York, New York.
 William J. Hazam, Wakefield, Massachusetts.
 Victor E. Henningsen, Milwaukee, Wisconsin.
 Reinhard A. Hohaus, Greens Farms, Connecticut.
 Reuben I. Jacobson, Minneapolis, Minnesota.
 Wilmer A. Jenkins, New York, New York.
 Walter Klem, New York, New York.
 Meno T. Lake, Los Angeles, California.
 Edwin B. Lancaster, New York, New York.
 William Leslie, Junior, New York, New York.
 Joseph Linder, New York, New York.
 Laurence H. Longley-Cook, Philadelphia, Pennsylvania.
 Lauren J. Lutz, Syracuse, New York.
 Daniel J. McNamara, New York, New York.
 Norton E. Masterson, Stevens Point, Wisconsin.
 Allen L. Mayerson, Lansing, Michigan.
 Charles Mehlman, San Francisco, California.
 Carlton H. Menge, Tulsa, Oklahoma.
 John H. Miller, Springfield, Massachusetts.
 Wendell A. Milliman, Seattle, Washington.
 Thomas E. Murrin, San Francisco, California.
 Joseph Musher, Washington, District of Columbia.
 Robert J. Myers, Washington, District of Columbia.
 Carroll E. Nelson, Saint Louis, Missouri.
 A. C. Olshen, San Francisco, California.
 H. Lewis Rietz, Houston, Texas.
 Henry F. Rood, Fort Wayne, Indiana.
 Walter L. Rugland, Appleton, Wisconsin.
 David G. Scott, Chicago, Illinois.
 Charles A. Siegfried, New York, New York.
 H. Raymond Strong, Dallas, Texas.
 Oscar Swenson, Los Angeles, California.

10 TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

Harmon R. Taylor, Cedar Rapids, Iowa.
G. Frank Waites, San Francisco, California.
Andrew C. Webster, New York, New York.
Bert A. Winter, Newark, New Jersey.

COMPLETION OF ORGANIZATION

SEC. 2. A majority of the persons named in section 1 of this Act are authorized to meet to complete the organization of the corporation by the election of officers and directors to serve until the close of the first annual meeting of the corporation, and by the adoption of bylaws not inconsistent with this Act, and by doing all other acts necessary to carry into effect the provisions of this Act.

OBJECTS AND PURPOSES OF CORPORATION

SEC. 3. The object and purposes of the corporation shall be—

(1) to advance the knowledge of actuarial science, which had its origin in the application of the doctrine of probabilities to human affairs and from which life insurance, pension plans, casualty insurance, and other analogous institutions derive their principles of operation;

(2) to encourage the consideration of all monetary questions involving, separately or in combination, the mathematical doctrine of probabilities and the principles of interest;

(3) to promote education in actuarial science and the interchange of information among actuaries and among the various actuarial organizations;

(4) to establish, promote, and maintain high standards of conduct and competence within the actuarial profession.

In furtherance of these ends the corporation may promote activities to recruit and educate those who desire to become actuaries and to undertake such other activities as may seem desirable.

POWERS OF CORPORATION

SEC. 4. The corporation shall have the following powers:

(1) To adopt, amend, and alter bylaws, not inconsistent with the laws of the United States or of any State, territory, or possession of the United States in which the corporation is to operate, for the management of its property and the regulation of its affairs;

(2) To adopt, use, and alter a corporate seal;

(3) To choose such officers, managers, agents, and employees as the business of the corporation may require;

(4) To sue and be sued, complain and defend in any court of competent jurisdiction;

(5) To contract and be contracted with;

(6) To transfer, lease, or convey real or personal property;

(7) To take and hold by lease, gift, purchase, grant, devise, bequest, or otherwise, any property, real or personal, necessary for carrying into effect the purpose of the corporation, subject to the applicable provisions of law of any State or the District of Columbia (a) governing the amount or kind of real and personal property which may be held by, or (b) otherwise limiting or controlling the ownership of real and personal property by a corporation operating in such State or the District of Columbia;

(8) To borrow money for the purpose of the corporation, issue bonds, or other evidence of indebtedness therefor, and secure the same by mortgage or pledge, subject to applicable Federal or State laws or to the laws of the District of Columbia;

(9) To do any and all acts necessary and proper to carry out the objects and purposes of the corporation.

PRINCIPAL OFFICE; TERRITORIAL SCOPE OF ACTIVITIES; RESIDENT AGENT

SEC. 5. (a) The principal office of the corporation shall be established at such place as its board of directors deems appropriate.

(b) The activities of the corporation may be conducted throughout the various States, territories, and possessions of the United States.

(c) The corporation shall maintain at all times in the District of Columbia a designated agent authorized to accept service of process for the corporation, such designation to be filed in the office of the clerk of the United States District Court for the District of Columbia.

(d) Notice to, or service upon such agent, or mailed to the business address of such agent shall be deemed sufficient notice of service upon the corporation.

MEMBERSHIP; VOTING RIGHTS

SEC. 6. (a) Eligibility for membership in the corporation and the rights and privileges of members shall, except as provided in this Act, be determined according to the bylaws of the corporation.

(b) Each member shall be entitled to one vote on each matter submitted to a vote at all meetings of the members of the corporation.

GOVERNING BODY; COMPOSITION; TENURE

SEC. 7. The corporation shall be governed by a board of directors composed of not less than ten or more than thirty-five members. The method of election, term of office, and other matters pertaining to the board of directors shall be provided in the bylaws.

OFFICERS; POWERS AND DUTIES

SEC. 8. (a) The officers of the corporation shall be members of the corporation and shall consist of a president, the number of vice presidents provided in the bylaws, a secretary, a treasurer, and such other officers as may be provided in the bylaws.

(b) The officers shall perform such duties and have such powers as the bylaws and the board of directors may from time to time prescribe.

USE OF INCOME; LOANS TO OFFICERS, DIRECTORS, OR EMPLOYEES

SEC. 9. (a) No part of the income or assets of the corporation shall inure to any member, officer, or director, or be distributable to any such person during the life of the corporation or upon dissolution or final liquidation. Nothing in this subsection, however, shall be construed to prevent the payment of reasonable compensation to officers of the corporation in amounts approved by the board of directors of the corporation.

(b) The corporation shall not make loans to its officers, directors, or employees. Any director who votes for or assents to the making of a loan to an officer, director, or employee of the corporation, and any officer who participates in the making of such loan, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

NONPOLITICAL NATURE OF CORPORATION

SEC. 10. The corporation and its members, officers, and directors, as such, shall not contribute to or otherwise support or assist any political party or candidate for elective public office.

LIABILITY FOR ACTS OF OFFICERS AND AGENTS

SEC. 11. The corporation shall be liable for the acts of its officers and agents when acting within the scope of their authority.

PROHIBITION AGAINST ISSUANCE OF STOCK OR PAYMENT OF DIVIDENDS

SEC. 12. The corporation shall have no power to issue any shares of stock, to declare or pay any dividends.

BOOKS AND RECORDS; INSPECTION

SEC. 13. (a) The corporation shall keep correct and complete books and records of account. It shall also keep minutes of the proceedings of the meetings of its members, its board of directors, and committees having any authority under the board of directors. It shall also keep at its principal office a record of the names and addresses of its members entitled to vote.

(b) All books and records of the corporation shall be open for inspection by any member of the corporation or his agent or attorney for any proper purpose at any reasonable time.

AUDIT OF FINANCIAL TRANSACTIONS; REPORT TO THE CONGRESS

SEC. 14. (a) The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audit shall be conducted at the place or places where the accounts of the corporation are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit shall be made available to the person or persons conducting the audit; and full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(b) A report of such audit shall be made by the corporation to the Congress not later than six months following the close of the fiscal year for which the audit is made. The report shall set forth the scope of the audit and include such statements, together with the independent auditor's opinion of those statements, as are necessary to present fairly the corporation's assets and liabilities, surplus or deficit with an analysis of the changes therein during the year, supplemented in reasonable detail by a statement of the corporation's income and expenses during the year, including (1) the results of any trading, manufacturing, publishing, or other commercial-type endeavor carried on by the Corporation, and (2) a schedule of all contracts requiring payments in excess of \$10,000 and any payments of compensation, salaries, or fees at a rate in excess of \$10,000 per annum. The report shall not be printed as a public document.

USE OF ASSETS UPON DISSOLUTION OR LIQUIDATION

SEC. 15. Upon final dissolution or liquidation of the corporation, and after the discharge or satisfaction of all outstanding obligation and liabilities, the remaining assets of the corporation shall be used by the board of directors for one or more of the purposes stated in section 3 of this Act.

EXCLUSIVE RIGHT TO NAME AND SEALS

SEC. 16. The corporation shall have sole and exclusive right to use the name "American Academy of Actuaries" and such seals as the corporation may lawfully adopt.

RESERVATION OF RIGHT TO AMEND OR REPEAL CHARTER

SEC. 17. The right to alter, amend, or repeal this Act is expressly reserved to the Congress.

Passed the Senate August 18, 1965.

Attest:

FELTON M. JOHNSTON,

Secretary.

Mr. ROGERS. Legislation of a similar character passed the Senate in the 88th Congress but was not acted upon in the House. The pending bill, S. 1154, passed the Senate on August 18, 1965. The present hearing, however, marks the first committee hearing on this subject to date.

Granting Federal charters to private organizations must be governed by criteria designed to assure that the public interest will be served. Moreover, Federal recognition should proceed on a selective and limited basis so as to preserve the prestige that attaches to Federal incorporation. To accomplish these purposes, it is evident that previous charter grants by the Congress cannot be invested with the weight of precedent or controlling analogy.

Finally, it should also be noted that the President, in his veto message of September 10, 1965, on H.R. 3329, a bill to incorporate the Youth Councils on Civic Affairs, raised several questions concerning the purpose and effect of Federal incorporation and concerning establishing desirable standards for granting such charters. One pertinent passage of the message reads as follows:

Worthy civic, patriotic and philanthropic organizations can and do incorporate their activities under State law. It seems obvious that Federal charters should be granted, if at all, only on a selective basis and that they should meet some national interest standard.

(The veto message referred to reads as follows:)

[H. Doc. 292, 89th Cong., 1st sess.]

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A VETO MESSAGE ON H.R. 3329, A BILL TO INCORPORATE THE YOUTH COUNCILS ON CIVIC AFFAIRS, AND FOR OTHER PURPOSES

To the House of Representatives:

I return herewith, without my approval, H.R. 3329, a bill to incorporate the Youth Councils on Civic Affairs, and for other purposes.

The committee reports indicate that this organization had its origin in Jacksonville, Fla., in 1962 and that it was incorporated under Florida law in March 1963. Its general purposes are to promote youth activities for the good of the community and to make youth aware of their civic responsibilities. Obviously, these worthwhile purposes are not the basis of my concern with this bill.

For some time I have been concerned with the question of whether we were granting Federal charters to private organizations on a case-by-case basis without the benefit of clearly established standards and criteria as to eligibility. Worthy civic, patriotic, and philanthropic organizations can and do incorporate their activities under State law. It seems obvious that Federal charters should be granted, if at all, only on a selective basis and that they should meet some national interest standard.

Other questions indicate the desirability of further study of this matter. For example, does the granting of Federal charters to a limited number of organizations discriminate against similar and worthy organizations and possibly stifle their growth? Should federally chartered corporations be more carefully supervised by an agency of the Federal Government? Does Federal rather than State chartering result in differences in the legal or tax status of the corporation, and are any differences appropriate ones?

I note that last year Congress enacted Public Law 88-504, at the recommendation of the General Accounting Office, to provide common standards of auditing and reporting for federally chartered corporations covered by title 36 of the United States Code. This reflected a concern similar to mine that proper standards and criteria be established in this area.

I hope that the Judiciary Committees will find it possible to make a comprehensive study of the questions I have outlined above. I am asking the Department of Justice and the Bureau of the Budget to explore these questions also and to make appropriate recommendations to me.

In the light of these concerns and without reflection in any way on the worthy purposes of the organization which would be incorporated by this bill, I feel constrained to withhold my approval from H.R. 3329 at this time.

LYNDON B. JOHNSON.

THE WHITE HOUSE, September 10, 1965.

H.R. 3329

EIGHTY-NINTH CONGRESS OF THE UNITED STATES OF AMERICA, AT THE FIRST SESSION, BEGUN AND HELD AT THE CITY OF WASHINGTON ON MONDAY, THE FOURTH DAY OF JANUARY, ONE THOUSAND NINE HUNDRED AND SIXTY-FIVE

AN ACT To incorporate the Youth Councils on Civic Affairs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Dr. Eleanor Weiss Flick, of Philadelphia, Pennsylvania; Herbert J. Johnson, Junior of Erie, Pennsylvania; Honorable John E. Santora, of Jacksonville, Florida; Frederic Sondern, Junior, of Cornwall Bridge, Connecticut; Frederick W. Thoben, of New York, New York; Honorable Ronald H. Tills, of Hamburg, New York; and their successors, are hereby created and declared to be a body corporate of the District of Columbia, where its legal domicile shall be, by the name of the Youth Councils on Civic Affairs (herein-

after referred to as the corporation), and by such name shall be known and have perpetual succession and the powers, limitations, and restrictions herein contained.

SEC. 2. A majority of the persons named in section 1 of this Act are authorized to complete the organization of the corporation by the adoption of a constitution and bylaws, not inconsistent with this Act, and the doing of such other acts (including the selection of officers and employees in accordance with such constitution and bylaws) as may be necessary for such purpose.

SEC. 3. The purposes of the corporation shall be: To promote an interest, study, and participation in all civic matters affecting the youth of America, emphasizing the American heritage and the responsibilities of young people to their community; to offer an organization through which the youth of a community may benefit both themselves and their community through an exchange of mutual problems and programs; to initiate programs and projects to afford the youth of a community an opportunity to meet and effectively deal with the problems of school dropouts, youth employment, vocational guidance, youth offenders, and other youth problems and establish a means of communication between the youth and adults of the community; and to provide youth the opportunity to practice democracy to better prepare for the responsibilities of adult citizenship.

SEC. 4. The corporation shall have power—

- (1) to have succession by its corporate name;
- (2) to sue and be sued, complain, and defend, in any court of competent jurisdiction;
- (3) to adopt, use, and alter a corporate seal;
- (4) to choose such officers, managers, agents, and employees as the business of the corporation may require;
- (5) to adopt, amend, and alter a constitution and bylaws, not inconsistent with the laws of the United States or any State in which the corporation is to operate, for the management of its property and the regulation of its affairs;
- (6) to admit to membership and charter, as its constitution and bylaws may provide, local organizations whose purposes are consistent with those of the corporation;
- (7) to contract and be contracted with;
- (8) to take by lease, gift, purchase, grant, devise, or bequest from any private corporation, association, partnership, firm, or individual and to hold any property, real, personal, or mixed, necessary or convenient for attaining the objectives carrying into effect the purposes of the corporation, subject, however, to applicable provisions of law of any State (A) governing the amount or kind of property which may be held by, or (B) otherwise limiting or controlling the ownership of property by, a corporation operating in such State;
- (9) to transfer, convey, lease, sublease, encumber, and otherwise alienate real, personal, or mixed property;
- (10) to borrow money for the purposes of the corporation, issue bonds therefor, and secure the same by mortgage, deed of trust, pledge, or otherwise, subject in every case to all applicable provisions of Federal and State laws;
- (11) to publish a magazine and other publications;
- (12) to do any and all acts and things necessary and proper to carry out the objects and purposes of the corporation.

SEC. 5. (a) The principal office of the corporation shall be located in Jacksonville, Florida, or in such other place as may be later determined by the board of directors, but the activities of the corporation shall not be confined to that place, but may be conducted throughout the various States, territories, and possessions of the United States.

(b) The corporation shall have in the District of Columbia at all times a designated agent authorized to accept service of process, notice, or demand for the corporation, and service of such process, notice, or demand required or permitted by law to be served upon the corporation may be served upon such agent. The corporation shall file with the Commissioners of the District of Columbia or their designated agent a statement designating the initial and each successor registered agent of the corporation immediately following any such designation.

SEC. 6. (a) Eligibility for membership in the corporation and the rights, privileges, and designation of classes of members shall, except as provided in this chapter, be determined as the constitution and bylaws of the corporation may provide. Each member of the corporation shall have the right to one vote on each matter submitted to a vote at all meetings of the members of the corporation.

(b) No organization which limits its membership on the basis of race or creed shall be eligible for membership in this corporation. Each organization which is a member of the corporation as provided in the constitution and bylaws thereof shall be entitled to all the benefits of incorporation under this chapter, but such benefits shall cease immediately either upon its resignation from the corporation, or in the event that its membership in the corporation is canceled or otherwise terminated by the board of directors, as provided in the constitution or bylaws of the corporation.

SEC. 7. (a) Upon the enactment of this Act, the membership of the initial board of directors of the corporation shall consist of those named in section 1 of this Act who shall serve until their successors are elected and have qualified.

(b) Thereafter the board of directors of the corporation shall consist of such number as may be prescribed in the constitution of the corporation, and the members of such board shall be selected in such manner (including the filling of vacancies), and shall serve for such terms, as may be prescribed in the constitution and bylaws of the corporation.

(c) The board of directors shall be the managing body of the corporation and shall have such powers, duties, and responsibilities as may be prescribed in the constitution and bylaws of the corporation.

SEC. 8. (a) The officers of the corporation shall be a president, one or more vice presidents (as may be prescribed in the constitution and bylaws of the corporation), an executive director, a secretary, a treasurer, and such other officers or assistant officers as the board of directors may from time to time determine.

(b) The officers of the corporation shall be elected in such manner and for such terms and with such duties as may be prescribed in the constitution and bylaws of the corporation.

SEC. 9. No part of the income or assets of the corporation shall inure to any of its members, directors, or officers as such, or be distributable to any of them during the life of the corporation or upon its dissolution or final liquidation. Nothing in this subsection, however, shall be construed to prevent the payment of compensation to officers of the corporation in amounts approved by the board of directors of the corporation.

(b) The corporation shall not make loans to its officers, directors, or employees. Any director who votes for or assents to the making of a loan to an officer, director, or employee of the corporation and any officer who participates in the making of such loan, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

SEC. 10. The corporation, and its officers and directors as such, shall not contribute to or otherwise support or assist any political party or candidate for public office.

SEC. 11. The corporation shall be liable for the acts of its officers and agents when acting within the scope of their authority.

SEC. 12. The corporation shall have no power to issue any shares of stock or to declare or pay any dividends.

SEC. 13. The corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its board of directors, and committees having any authority under the board of directors; and it shall also keep at its principal office a record of the names and addresses of its members entitled to vote. All books and records of the corporation may be inspected by any member entitled to vote, or his agent or attorney, for any proper purpose at any reasonable time.

SEC. 14. (a) The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audit shall be conducted at the place or places where the accounts of the corporation are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit shall be made available to the person or persons conducting the audit; and full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(b) A report of such audit shall be made by the corporation to the Congress not later than six months following the close of the fiscal year for which the audit is made. The report shall set forth the scope of the audit and include such statements, together with the independent auditor's opinion of those statements, as are necessary to present fairly the corporation's assets and liabilities, surplus or deficit with an analysis of the changes therein during the year, supplemented

in reasonable detail by a statement of the corporation's income and expenses during the year, including (1) the results of any trading, manufacturing, publishing, or other commercial-type endeavor carried on by the corporation, and (2) a schedule of all contracts requiring payments in excess of \$10,000 and any payments of compensation, salaries, or fees at a rate in excess of \$10,000 per annum. The report shall not be printed as a public document.

SEC. 15. The corporation, and its duly authorized chapters or association of chapters, shall have the sole and exclusive right to use the name of Youth Council on Civic Affairs, and the initials "YCCA" as representing a youth organization and such seals, emblems, and badges as the corporation may lawfully adopt.

SEC. 16. Upon dissolution or final liquidation of the corporation, after discharge or satisfaction of all outstanding obligations and liabilities, the remaining assets, if any, of the corporation shall be distributed in accordance with the determination of the board of directors of the corporation and in compliance with the constitution and bylaws of the corporation and all Federal and State laws applicable thereto.

SEC. 17. As used in this Act the word "State" includes the District of Columbia.

SEC. 18. The right to alter, amend, or repeal this Act is expressly reserved to the Congress.

JOHN W. McCORMACK,
Speaker of the House of Representatives.
HUBERT H. HUMPHREY,
*Vice President of the United States and
President of the Senate.*

[Endorsement on back of bill:]

I certify that this Act originated in the House of Representatives.

RALPH R. ROBERTS, *Clerk.*

Mr. ROGERS. I am advised that the Department of Justice and the Bureau of the Budget have been studying the questions raised in the veto message and that recommendations concerning the subject of Federal charters for private organizations will be made in the near future.

Our first witness this morning is the Honorable Hale Boggs, the author of H.R. 4470. Will you come forward, Mr. Boggs.

STATEMENT OF HON. HALE BOGGS, MEMBER OF CONGRESS FROM THE STATE OF LOUISIANA

Mr. Boggs. Thank you, Mr. Chairman and members of the committee. I shall only take a minute.

I would like permission, if I may, to file a statement.

Mr. ROGERS. It will be accepted and placed in the record at this point.

(The statement of Mr. Boggs reads as follows:)

STATEMENT OF HON. HALE BOGGS, U.S. REPRESENTATIVE FROM THE STATE OF LOUISIANA, RELATIVE TO H.R. 4470, TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

Mr. Chairman, it is a pleasure for me to testify before you on behalf of my bill, and companion measures, to provide a Federal charter of incorporation to the American Academy of Actuaries. An identical companion bill, as you know, was favorably reported last session by the Senate Committee on the Judiciary, and passed by the Senate without change.

In its report, the Senate Judiciary Committee pointed out that the four distinct actuarial organizations wish to have this one academy established with a Federal charter, in order "to advance the knowledge of actuarial science, through education and the promotion of concepts thereof in the minds of the general public; to establish, promote and maintain high standards of conduct and competence within the actuarial profession; and to encourage the coordination of the efforts of the existing bodies and of other proven competent persons not now members thereof"

The members and governing boards voted overwhelmingly to seek a Federal Charter for the American Academy of Actuaries, and I think their reasons are sound and practical.

To point up the Federal Government's own interest in the improvement and stability of the actuarial profession, we have only to take note of how much the National Government relies upon the actuarial profession for the determination of costs under qualified pension plans; for the planning and control of the social security system; for advice on various other matters in a number of departments and agencies, including Internal Revenue Service, the Department of Labor and the Securities and Exchange Commission.

Even though our Government does rely on actuaries and the vital role they play in insurance and pension fund regulation and operation, there is no legal definition of the word "actuary", nor is there any legally recognized system of accreditation. The American Academy of Actuaries has been established to provide a responsible avenue for accreditation and to bring legal recognition to the actuarial profession. Because the welfare and pension plans are growing, it is very much in the public interest to create a workable system of accreditation for actuaries.

This can best be accomplished by granting a Federal charter of incorporation to the American Academy of Actuaries. There is no doubt that such a Federally authorized organization, chartered by the Congress, is the best way to achieve the accreditation and recognition of actuaries in our country.

I respectfully urge your subcommittee, Mr. Chairman, to act favorably on this bill, and that the full committee also report this bill and urge that the House act upon it favorably as soon as possible. Thank you.

Mr. ROGERS. You may proceed in your own manner.

Mr. BOGGS. I would like to file a letter written to the chairman, Hon. Emanuel Celler, August 2, 1965, by Mr. Edwin W. Patterson of Columbia University.

Mr. ROGERS. That is a letter addressed to the chairman?

Mr. BOGGS. Right.

Mr. ROGERS. It will be received for the record.

(The letter referred to is as follows:)

AUGUST 2, 1965.

Re H.R. 4470 (Boggs), Actuaries, August 1965.

Hon. EMANUEL CELLER,
Chairman, Committee on Judiciary,
House Office Building, Washington, D.C.

DEAR MR. CELLER: As one who has for nearly fifty years studied, taught and written on the law relating to insurance, annuities and pensions, I am writing to urge that you and your Committee give a favorable report on the enactment of the bill to create an American Academy of Actuaries (H.R. 4470), which I have carefully read.

To be a competent actuary one needs to have a broad college education, a thorough competence in pure mathematics through at least differential and integral calculus, and intensive work in the applied mathematics of probabilities. I am merely stating the conclusion to which I came as a result of my inquiry into the availability of enough actuaries to service all of the pension funds (some 25,000) that filed annual reports under the Federal Welfare and Pension Plans Disclosure Act of 1958, as amended in 1961. My study was made under the auspices of the Pension Research Council of the Wharton School of the University of Pennsylvania, and was published in 1960 as a book, "Legal Protection of Private Pension Expectations." (Richard D. Irwin, Inc., Homewood, Ill.)

Because of these, and perhaps other, qualifications, a thoroughly competent actuary should be treated as a professional man, and should be legally recognized as such. Yet when in 1959 I had a thorough search made of all of the statutes of all of the states, I found no state regulation of actuaries. It seems highly appropriate, then, that the Congress should recognize the importance of well trained actuaries to the extent that it provides for the incorporation of a group that will serve as an accrediting agency for members of the corporation, who shall, upon election to membership, be entitled exclusively to use the designation, "Member" (or "Associate," as the case may be) "of the American Academy of Actuaries."

In the unlikely but possible case of a member who is found, after notice and a fair opportunity to be heard, to have engaged in misconduct related to and un-

worthy of his calling, the Corporation should have the power to expel him or to discipline him. This is not as clearly provided in Section 6(a) as, perhaps, it should be.

The enactment of a federally created body to serve as an accrediting agency will give such membership a reputation and standing in all states. Yet it will not, I believe, conflict with any state law nor will it confer an exclusive privilege upon its members to serve as actuaries. Other persons may still serve as actuaries for those persons who choose to employ them.

The fact that there are now four actuarial societies active in the United States indicates some rivalry between these groups, and makes it desirable that many, if not all, of the members of these societies, shall qualify for membership in the American Academy if, and when, it is formed.

The objects and purposes of the corporation, as stated in Section 3, may be carried on, partly, with the co-operation of various colleges and universities and of the existing actuarial societies. These suggestions are intended merely to indicate that I see many good purposes that the Academy can fulfill. The men and women who control or will control this Academy will know better than I how to effectuate its objects.

The power of the Congress to create private corporations has, I believe, been used sparingly. This is appropriate since the governments of the several states can create such corporations, and have done so. *However, in creating the Academy as a nonprofit corporation the Congress will be filling an exceptional need for a learned society to act as the leader of a highly useful professional group whose activities reach across many state lines and whose influences are felt in all walks of society.*

I hope that this comment will be sent to the sub-committee that is considering H.R. 4470, and that both it and the full Committee will recommend the bill for enactment at the present session.

For the purpose of identification only I give my present titles below. I was for 35 years a member of the faculty of law of Columbia University, New York. I have written several casebooks, including one on Insurance Law that was adopted in 73 American law schools, and other books. (See Who's Who in America). In 1935-39 I was the chief draftsman of a complete revision of the New York Insurance Law, which became effective in 1940. I retired to Virginia in 1960.

Respectfully submitted.

EDWIN W. PATTERSON,

Cardozo Professor Emeritus of Jurisprudence, Columbia University; Scholar in Residence, University of Virginia Law School.

Mr. BOGGS. Mr. Chairman, I first became interested in this proposal through the work that all of us do on the Ways and Means Committee where we come in contact almost daily with the growing number of pension plans in this country, plus, of course, the work of the social security board and the social security system, which has been greatly expanded in the last 12 months, and the work of other government agencies, notably the Internal Revenue Service, all of whom are very much dependent upon competent actuaries.

The actuarial profession has grown probably more rapidly than any other group in this country in the last few years because of this tendency to establish pension funds, trusts of various kinds, the vast increase in insurance in the country generally.

Most States sought to regulate certain professional groups very early, such as our own legal profession, others, the engineers, the architects, the contractors. In this area, however, four societies, independent of each other, have grown up. There may or may not be competition between them. I am not knowledgeable enough on it. But I do know that all of the groups have endorsed this proposal. They feel this is the logical way to bring order and competence into a profession which is very vital to the kind of society in which we are now living.

That is all this seeks to do, to form a group which will have the power to accredit competent people in this area. I think the proposed corporation is drafted in such a way, to meet the objectives

which were set forth in that communication from the President which you just read. It provides for annual reports to the Congress, more audits, proper safeguards against any pressures of any kind, whether political or otherwise.

I believe this is something that is needed by this profession, and that is why I sponsored the bill. As you pointed out, Mr. Chairman, it passed the Senate twice, as far as I know unanimously. I hope it would be favorably considered by this subcommittee, the full committee, and by the House.

Mr. ROGERS. As I understand it, you would have no objection to any amendments to your bill that would assure, shall we say, a free competitive situation in the actuarial field?

Mr. BOGGS. I know very well, Mr. Chairman, I would not have any objection.

Mr. ROGERS. You wouldn't sponsor anything that would result in a monopoly or would result in limiting the practice of this profession to any particular group?

Mr. BOGGS. I would not. I would certainly think this committee has full competence to make any pertinent or needed amendments.

Mr. ROGERS. Any questions?

Mr. McClory.

Mr. McCLORY. Congressman, I am a little confused about this subject in that I am wondering if the actuarial profession is to receive a national recognition or a Federal charter if it wouldn't also follow then that other professions—and you mentioned the law, and there are great discrepancies in the laws as far as the present licensing by the various States is concerned—you don't feel that it might follow that the Federal Government would be licensing lawyers and doctors and architects and engineers, and maybe other professions, and maybe it would be a good idea, but I am just wondering if there wouldn't be a demand on the part of the Congress to establish similar professional status for those?

Mr. BOGGS. It could be. I would not try to project my thinking into other professions, but I do feel there are several aspects of this that are different.

First, this group is something relatively new in our country, and unlike the ancient legal profession, which you know has been with us, they say, since God created Adam and Eve, but that in my judgment is one reason for the failure of the States to move, and the other is that practically everything these people do cuts across State lines. They are more interstate than almost any profession I can think of.

These pension funds, practically all of them are set up under Federal law of some kind or another, because they have to take into consideration the impact of the tax laws of the National Government. The Social Security System, of course, is national. The insurance companies, practically all of them are national in scope and operation. This is where the vast bulk of these people are, where their talents are utilized.

Mr. McCLORY. As I understand it, the legislation would blanket in the existing actuaries who are members of the societies or who have qualified as actuaries up to the present time.

Would you have any objection if the legislation is enacted to require that any licensee in order to qualify as an actuary should be required to take an examination before he becomes a part of this actuarial academy that we would set up?

Mr. Boggs. I personally would not have any objection to it. Not being an actuary, I would rather not give an opinion on that. I would think that the four societies are the ones that were put together as original incorporators, and I think they all have competent and well-qualified people.

Mr. MacGREGOR. I have no questions of Mr. Boggs.

Mr. ROGERS. Thank you, Mr. Boggs. We appreciate very much receiving your thoughts on the matter.

The next witness scheduled was the Honorable Edward P. Boland from Massachusetts. I talked with him Monday and he expected to be present, but unfortunately our beloved colleague, Albert Thomas, passed on, and Congressman Boland is on the same subcommittee with him. Since the funeral is at 11 this morning he cannot be present. However, he does have a statement which we will insert in the record at this time.

(The statement of Mr. Boland reads as follows:)

STATEMENT OF HON. EDWARD P. BOLAND, U.S. REPRESENTATIVE FROM THE
STATE OF MASSACHUSETTS

I appreciate the opportunity you afforded me to make my views known on my bill, H.R. 5987, and companion legislation which would incorporate the American Academy of Actuaries. It is a particular pleasure for me because one of the most outstanding and well known actuaries in the country who is with us here today, Mr. John H. Miller, is from my home city of Springfield, Massachusetts, and is associated with the Monarch Insurance Company of America.

Mr. Chairman, the purpose of the proposed legislation, as amended, is to confer a Federal charter on the American Academy of Actuaries.

The actuarial profession is largely responsible for the technical methods and framework leading to the enormous aggregate of today's economic protection against the hazards of death, disability, retirement, and property loss. The field of actuarial science and its influence on the social and economic affairs of the Nation have been growing rapidly in recent years with the great expansion that has taken place in all phases of the insurance business. Over the years, four nationally recognized actuarial bodies have been developed to provide for the training and qualifications of actuaries.

Many actuaries belong to more than one of these bodies. The four actuarial bodies attempt to recruit and train enough qualified actuaries to meet the needs of the public, and they require their members to meet strict standards of education, training and professional conduct. It now appears necessary and advisable to alert the Congress, the Federal departments, and the public to recognize only qualified actuaries and to advocate means for the legal recognition or accreditation of these qualified actuaries.

The four actuarial bodies have endorsed this proposal by resolution of their governing boards and by vote of their members.

Mr. Chairman, I respectfully urge your committee to report favorably on this legislation to incorporate the American Academy of Actuaries so that the actuarial profession may further enhance, establish and maintain the high standards within its membership.

I might add, Mr. Chairman, that my bill, as drafted, contains unnecessary and territorial terminology in sections 4 and 5, which should be corrected to perfect the bill and also to have it properly applied to the Commonwealth of Puerto Rico. I have discussed this matter with my colleague, Congressman Santiago Polanco-Abreu, the Delegate from Puerto Rico, and agree with him that the following amendments should be adopted:

1. In paragraph one (1) of section 4, page 5, lines 13 and 14, strike out the words "territory or possession of the United States."

2. In paragraph 7 of section 4, page 6, rewrite line 4 after the word "corporation" so as to make it read as follows: "subject to applicable Federal or State laws." Then, from the next line 5 in this same paragraph 7 strike out the words "or the District of Columbia."

3. In paragraph 8 of section 4, page 6, lines 13 and 14, strike out the words "or the laws of the District of Columbia."

4. In subsection (B) of section 5, page 6, line 23, strike out the words "the various States, territories, and possessions of."

5. At the end of subsection (D) of section 5 on page 7, add a new subsection (E) to define the following terms:

(E) As used in this act the terms "United States" and "State" include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam and the territories and possessions of the United States.

Mr. ROGERS. Also, Senator Dodd, of Connecticut, has a statement which we will insert in the record at this point.

(The statement of Senator Dodd reads as follows:)

STATEMENT OF HON. THOMAS J. DODD, U.S. SENATOR FROM THE STATE OF CONNECTICUT

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to be heard in reference to S. 1154, a bill to grant a Federal charter to the American Academy of Actuaries. I am quite pleased that this subcommittee is considering this legislation.

Over the years, four nationally recognized actuarial bodies—the Society of Actuaries, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, and the Federal Actuarial Association—were developed to provide for the training and qualifications of actuaries by recruiting and training enough qualified actuaries to meet the needs of the public and requiring their members to meet strict standards of education, training, and professional conduct.

Despite the existence of these four actuarial bodies, with few exceptions, there are no legal provisions—Federal or State—specifying the technical education and experience that an individual should have in order to hold himself forth to the public as an actuary. In fact, as the situation now stands, any person can so designate himself, and the public has no assurance of his qualifications to serve it as an actuary.

The actuarial profession is largely responsible for the technical methods and framework leading to the enormous aggregate of today's economic protection against the hazards of death, disability, retirement, and property loss.

In recent years pension and welfare plans particularly have experienced tremendous growth.

At the end of 1964, some 40 million persons were covered by public and private retirement plans—other than Social Security. The accumulated reserves of these plans amounted to nearly \$100 billion, with annual benefit payments of some \$2.75 billion to nearly 2.5 million beneficiaries. Pension and welfare plans have increasingly been required to call upon actuarial guidance as the basis of both planning and approval. But as the need for actuarial service grows, more and more persons have been holding themselves out to the public as self-styled actuaries, without necessarily any actuarial qualifications.

It now appears necessary and advisable to alert the Congress, the Federal departments, the several states and the public to recognize only qualified actuaries and to advocate means for the legal recognition or accreditation of these qualified actuaries.

As a standard for accreditation for an actuary, it would be impractical to refer to membership in one of the four actuarial bodies; first, because of complications arising from the fact that each body has more than one class of membership and second, because there are capable practicing actuaries who are not members of any of these organizations.

Accordingly, in order to advance the knowledge of actuarial science through education and promotion of the concepts thereof in the minds of the general public; to establish, promote, and maintain high standards of conduct and competence within the actuarial profession; and to encourage in this purpose the coordination of the efforts of the existing actuarial bodies and of other proven competent persons not now members thereof, it is proposed to organize a federally chartered organization termed the "American Academy of Actuaries."

It is planned that all "full" members of the existing four actuarial bodies may automatically become members of the Academy. Less than "full" members of these bodies may also become members of the Academy if they have satisfactory academic training and experience in actuarial science. Furthermore, the membership will not be confined to those who are members of the existing four bodies, but will also be available to others if they have satisfactory experience. Ultimately, it is the purpose of the Academy that all persons who wish to be

members will be able to attain this purpose by passing examinations of a comprehensive nature in actuarial mathematics and insurance principles which, along with demonstrated experience, will establish their competence as actuaries.

In the future, membership in the Academy will provide an available accreditation reference for use by the various Federal, State, and local government agencies that either have dealings with actuaries, or in some cases, employ actuaries. Under these circumstances, the agencies involved can readily establish appropriate accreditation procedures for persons to appear before them in connection with matters involving actuarial problems.

I believe that the American Academy of Actuaries is deserving of Federal recognition by receiving a Federal charter. I feel that the granting of such a charter would give recognition and encouragement to this important profession and science, and it would serve the public interest by so doing. I urge the speedy enactment of this legislation to confer a Federal charter on the American Academy of Actuaries.

Mr. Chairman, I would like to insert in the record a letter I received from William R. Cotter, Insurance Commissioner of the State of Connecticut dated July 29, 1965, supporting this legislation.

Thank you.

STATE OF CONNECTICUT,
INSURANCE DEPARTMENT,
Hartford, Conn., July 29, 1965.

Hon. THOMAS J. DODD,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR SENATOR DODD: It is my understanding that there is now before the Congress, a bill introduced by you, which will serve to define the profession of Actuary and set up standards of qualification. This is good legislation and I wish to express my support of it.

Actuaries are a highly educated and respected group of people who have devoted a great many years of study. There has occurred, in recent years, many abuses of this title. I feel that it is in the public interest to have a clear definition of this title.

Very truly yours,

WILLIAM R. COTTER,
Insurance Commissioner.

Mr. ROGERS. Our next witness is from my hometown of Denver, Colo., Mr. Paul Bailey, who is vice president and actuary of the Security Life & Accident Co., of Denver, Colo.

Will you come forward, Mr. Bailey?

**STATEMENT OF PAUL M. BAILEY, VICE PRESIDENT AND ACTUARY,
SECURITY LIFE & ACCIDENT CO., DENVER, COLO.**

Mr. ROGERS. Mr. Bailey, welcome to our subcommittee. You may proceed.

Mr. BAILEY. Mr. Chairman and members of the committee, I am Paul Bailey, of Denver, Colo. It is my privilege to introduce the five witnesses who will speak in support of the bill introduced by Congressmen Boggs and Boland. Three of these witnesses are actuarial colleagues of mine, each representing an important area of actuarial practices. The first speaker, however, will be Mr. Dan M. McGill, of the University of Pennsylvania, who is an authority on pension plans, and has written several books on this subject. He has been a consultant to various governmental and private organizations with respect to pension problems and recently served as technical consultant to the President's Advisory Committee on Labor-Management Policy in connection with the review of the provisional report of the President's Committee on Corporate Pension Funds.

I refer to a recent report by a committee comprising (i) the Secretaries of Labor, Treasury, HEW, (ii) the Director of the Bureau of the Budget and (iii) the Chairmen of the Council of Economic Advisers, the Federal Reserve Board, and the Securities and Exchange Commission. Among Dr. McGill's publications are two books on pensions, "Fundamentals of Private Pensions" and "Fulfilling Pension Expectations." Professor McGill formerly taught at the University of Tennessee, the University of North Carolina, and Stanford University. He will speak, not as an actuary, but as one whose deep involvement in pensions has given him an unusual insight into the inherent relationship between actuarial competence and the security of workers in their future pension benefits.

The second speaker will be the Honorable James Hunt, commissioner of banking and insurance for the State of Vermont. He is a fellow of the Society of Actuaries, and a member of the Academy of Actuaries as are the other actuaries present here. Commissioner Hunt's education and training include a degree from Middlebury College and completion of the actuarial studies and examinations while engaged in actuarial work at the National Life Insurance Co. of Vermont where he held the position of assistant actuary, at the time of his entry into Government service.

I should add here that the Society of Actuaries is the largest of the four actuarial organizations which make up the Academy of Actuaries. The other three are the Fraternal Actuarial Association, the Conference of Actuaries in Public Practice, and the Casualty Actuarial Society.

Frank Harwayne, actuary for the New York department and a fellow of the Casualty Actuarial Society, was scheduled to appear here but an unfortunate back injury prevented his appearance today.

Following Commissioner Hunt will be Dorrance Bronson, an actuarial consultant on pensions. Mr. Bronson's knowledge of the Government's necessary concern and interest in the actuarial profession is implicit in his experience as assistant actuary to the Social Security Board (as then called) during the act's formative years, and currently as the representative of the actuarial profession on the Advisory Council appointed by the Secretary of Labor, pursuant to section 14, Welfare and Pension Plans Disclosure Act and as one of a three-member Board of Actuaries for the civil service retirement program.

Mr. Bronson completed the courses in actuarial science at the University of Michigan, and qualified as a fellow of the Society of Actuaries by the further study required to pass its prescribed examinations. He has written a number of actuarial papers on actuaries, pensions, group insurance, and social security and is a coauthor of a pension article for the Encyclopedia Britannica.

Mr. Bronson is also author of "Concepts of Actuarial Soundness in Pension Plans" for which he received the Eligur Wright Award for the outstanding original contribution to the literature of risk and insurance.

Mr. Joseph Linder has been a consulting actuary, principally in the property-casualty field of insurance, for over 40 years. He is a fellow of the Casualty Actuarial Society, an associate of the Society of Actuaries, and a fellow of the Conference of Actuaries in Public Practice, and has served the Casualty Actuarial Society as vice pres-

ident and on various committees in addition to contributing professional articles which have appeared in the proceedings of that society.

Over the years his services have been made available to various governmental organizations, both at the Federal and State level, and he has testified on rate cases and other matters for insurance departments and insurance organizations.

Finally, our counsel, Mr. James Donovan, will offer a few comments. Mr. Donovan though perhaps better known for his international achievements, has practiced extensively in the field of insurance law, and as a past president of the Board of Education of New York City, is familiar with problems of professional qualification and accreditation.

Also present and available to answer questions relating to the organization and objectives of the academy is one of its vice presidents, John H. Miller, the executive vice president of the Monarch Life Insurance Co. of Massachusetts, and a past president of the Society of Actuaries.

Since these other gentlemen will present our program comprehensively, I will only mention that as a member of one of the four sponsoring organizations, I was kept fully and currently informed of all steps taken or contemplated toward the organization of the academy and of its objectives, and given every opportunity to voice my personal views in the best democratic tradition.

I believe the academy and its program enjoy the unqualified support of the actuarial profession in this country and I personally urge your favorable action on the bills before you.

Mr. Chairman, I thank the committee for this opportunity to speak and to present at this time, Dr. Dan McGill.

Mr. ROGERS. Will Dr. McGill come forward?

**STATEMENT OF DR. DAN N. MCGILL, PROFESSOR OF INSURANCE,
WHARTON SCHOOL OF FINANCE AND COMMERCE, UNIVERSITY
OF PENNSYLVANIA**

Dr. MCGILL. Mr. Chairman and members of the subcommittee: I would like to address my remarks to the relevance of the proposed Federal charter for the American Academy of Actuaries to the welfare of the private pension institution.

Mr. ROGERS. I understand you have a prepared statement?

Dr. MCGILL. Yes, sir. I have filed a somewhat longer statement. I have here a summary of the longer statement.

Mr. ROGERS. If agreeable with you, we will place your statement in the record at this point, and then you may epitomize and emphasize thereafter.

Dr. MCGILL. I would like that very much, sir.

(The prepared statement of Dr. McGill is as follows:)

**STATEMENT BY PROF. DAN M. MCGILL, CHAIRMAN, INSURANCE DEPARTMENT,
WHARTON SCHOOL OF FINANCE AND COMMERCE, UNIVERSITY OF PENNSYLVANIA
RELATIVE TO PROPOSALS TO INCORPORATE THE AMERICAN ACADEMY OF
ACTUARIES**

Mr. Chairman and members of the Committee: My name is Dan M. McGill. In addition to my position as Chairman of the Insurance Department at the University of Pennsylvania, I am Chairman of the Administrative Board of the S. S. Huebner Foundation for Insurance Education and Chairman and Research Director, Pension Research Council of the Wharton School. I formerly taught

at the University of Tennessee, the University of North Carolina, and Stanford University.

Among my publications are two books on pensions, *Fundamentals of Private Pensions* and *Fulfilling Pension Expectations*. I have been a consultant to various governmental and private organizations with respect to pension problems and recently served as Technical Consultant to the President's Advisory Committee on Labor-Management Policy in connection with the President's Report on Corporate Pension Funds.

THE ACTUARY AND THE PRIVATE PENSION INSTITUTION

(a) *Growth of the private pension movement*

The private pension movement had its inception in the United States with the establishment of the American Express Company retirement plan in 1875. Financed entirely by the employer, this plan was followed in 1880 by the plan of the Baltimore and Ohio Railroad Company, which was supported jointly by employer and employee contributions. Other railroads embraced the pension concept and by the outbreak of World War I, over one-half of all railroad employees were covered by formal retirement plans, mostly unfunded. By the late 1920's the proportion had risen to four-fifths.

After the turn of the nineteenth century the pension movement spread to other segments of the economy. During the decade from 1910 to 1920, over two hundred new plans were established, primarily by manufacturing firms and public utilities. By the end of the 1920's, workers covered by private pension plans were concentrated in railroads, public utilities, iron, steel, and oil companies and firms engaged in manufacturing machinery. On the whole, the plans in operation at this time were in large scale enterprises, were set up at the initiative of the employer, and were financed predominantly by employer contributions.

During this period some trade unions set up their own pension plans for aged and permanently disabled workers. These plans, supported entirely by the members, developed primarily in industries where there were no company plans. The first trade union pension plan which actually functioned was established in 1905 by the Granite Cutters. Two years later the International Typographical Union adopted a formal pension plan for its membership, this being the first plan to be established by an international union. By 1930, about one out of five trade union members in the United States was covered by a union pension plan.

The first year for which fairly comprehensive data on the private pension movement are available is 1930. At that time some 2.7 million active employees were covered under pension plans and about 100,000 retired employees were receiving regular payments from these plans. Annual benefit payments totaled \$90 million and the assets accumulated within the plans to meet future benefit payments aggregated \$800 million. Annual contributions to the plans came to \$200 million, with the employer share accounting for two-thirds of the total. All these totals exclude data for railroad pension plans which were already in financial difficulties (because of failure to adhere to sound actuarial principles) and in 1935 were to be brought under the Federally administered Railroad Retirement System.

Depressed economic conditions hampered the expansion of the private pension movement during the first half of the 1930's but improved business conditions during the second half of the decade led to further increases in coverage. Moreover, the establishment of the Social Security Program in 1935 drew national attention to the need for old-age economic security and contributed to the attainment of that objective by creating a "floor of protection". By 1940, more than four million active workers were participants in privately-administered plans, which were paying annual benefits of \$140 million to 160,000 pensioners. Contributions had reached the level of \$300 million per year, of which management was accounting for 60 per cent, and assets had grown to \$2.4 billion.

During the first half of the 1940's various factors combined to provide a further impetus to the private pension movement. Among these factors were a clarification of the tax laws relating to pension and profit-sharing plans, imposition of wage and salary controls as a wartime economic stabilization measure, and a sharp increase in corporate income tax rates, including an excess profits tax. Immediately following World War II organized labor initiated a drive for pensions and other supplementary benefits as a part of their collective bargaining contracts. Their efforts were greatly abetted in 1949 by (1) a United States Supreme Court decision that pensions were a bargainable issue and (2) the declaration of the Steel Industry Fact-Finding Board that private industry has

an obligation to provide its workers with pensions and other welfare benefits to meet the problem of human depreciation. By 1950, private pension plans covered 9.8 million active workers and were providing \$370 million per year to a half million retired workers. Annual contributions had grown to \$2 billion, with employers bearing 85 per cent of the total cost—a reflection of the emphasis on noncontributory plans during World War II and the espousal of the non-contributory principle in collectively-bargained plans. Assets were approaching \$12 billion.

The most rapid expansion of the private pension movement has occurred in the years since 1950. On the average, more than one million employees have been added to the list of covered members each year and pension plan assets have increased by \$4 to \$5 billion per year. At the present time, an estimated 25 million active employees are covered under 50,000 or more qualified, formal pension plans. This number constitutes 35 per cent of the civilian labor force, 50 per cent of privately employed, nonagricultural workers, and 70 per cent of the persons thought to be potentially eligible for pension plan coverage. (The percentage of the labor force considered to be eligible for participation in a privately administered pension plan is arrived at by excluding members of the military service, governmental employees at all levels, agricultural workers, domestic employees, self-employed persons, unemployed persons, part-time workers, and workers under age twenty-five.) Approximately 2.5 million persons are currently receiving benefits from private pension plans at a rate aggregating \$2.9 billion annually. These pensioners constitute 17 per cent of the population over age sixty-five. Pension plan assets are growing at the rate of \$7 billion per year and now amount to \$80 billion. Employers as a group are still accounting for about 85 per cent of the total contributions to pension plans.

It is estimated that by 1980, forty-two million employees will be covered by private pension plans. The covered segment of the labor force will embrace 85 per cent of the group believed to lend itself to coverage under these plans. Ten million persons, or 35 per cent of the population then over age sixty-five, should be receiving retirement benefits in the total amount of \$9 billion per year. Pension plan assets are expected to rise to \$200 billion.

(b) Role of the actuary

If these plans are to fulfill the business, union, and social purposes for which they have been, and will be, established, they must have the benefit of competent actuarial guidance, not only at inception but also at regular intervals thereafter. The precise role of the actuary will vary from plan to plan but generally speaking a qualified actuary should determine the probability of occurrence of those future events that will call for payments under the plan, estimate the probable amount of such payments, and ascertain the sums of money that must be set aside from time to time to meet such payments. Assumptions must be made as to mortality rates, rates of disablement, rate of return on investments, rates of employee withdrawal, ages at which retirement will take place, the behavior of wage and salary rates, and perhaps other matters.

A qualified actuary should participate actively in the design of the pension plan, having special cognizance over those plan features that exert a direct influence on costs. His counsel should be sought with respect to eligibility for participation in the plan, benefit formulas, provisions for early retirement, optional annuity forms, employee contributions, and allocation of plan assets upon termination of the plan.

After the plan has been in operation for a period of time, the actuary should examine the experience of the plan to test the validity of his earlier assumptions. If substantial deviations are found, the assumptions may have to be modified. The actuary must also prepare periodic valuations of the liabilities under the plan to determine whether the funding policy being pursued by the employer will prove adequate.

In all these matters, the actuary must combine sound judgment and a keen sense of professional integrity with valid mathematical techniques.

(c) Public interest in the quality of actuarial services to pension plans

There is a substantial public interest in the quality of actuarial services available to the administrators of pension plans. At the Federal level, this interest is associated with the protection of the Federal revenues against improper use of the special tax treatment accorded "qualified" pension plans, protection of accumulated pension assets against misappropriation or mismanagement, and ensuring the fulfillment of the benefit expectations of plan participants. With respect to the first concern, if a pension plan is to enjoy the special tax advantages

associated with a "qualified" status, it must conform to certain broad requirements laid down in the Internal Revenue Code, as implemented and interpreted by a myriad of regulations and rulings. The general requirements set forth in Section 401(a) of the Internal Revenue Code of 1954 and Section 1.401(a) of the Federal Income Tax Regulations are that:

- (1) There must be a trust, contract, or other legally binding arrangement. The plan must be in writing and be communicated to the employees. Furthermore, a permanent and continuing program must be contemplated.
- (2) The plan must be for the exclusive benefit of the employees or their beneficiaries, and it must be impossible prior to the satisfaction of all liabilities under the plan for any part of the corpus or income to be diverted to any other use.
- (3) The plan must benefit employees in general and not just a limited number of favored employees.
- (4) The plan must not discriminate in favor of officers, shareholders, or highly compensated employees with respect to contributions or benefits.
- (5) The plan must provide definitely determinable benefits. (This requirement is designed to distinguish a pension plan from a profit-sharing plan, which is subject to somewhat different tax treatment).

The basic objectives of these requirements, as clarified and amplified in an extensive body of administrative rulings are (1) to prevent discrimination in favor of employees enjoying a preferred status and (2) to establish a reasonable and proper charge against earnings for pension contributions.

In order to achieve these objectives, the Internal Revenue Service requires the submission of certain documents, information, and statistical data at the time a plan is established or amended and also each time a tax deduction is claimed by the employer. The initial request for approval of a pension plan must be supported by copies of the plan, the trust indenture, if any, and insurance contracts, if any; a description of all the methods, factors, and assumptions used in estimating the cost of the plan; and data designed to reveal any discrimination in favor of officers, stockholders, supervisors, or highly compensated employees. Then each year thereafter in claiming an income tax deduction for contributions to the pension plan, the employer must submit a statement furnishing detailed information about the cost of the plan, including several items of a strictly actuarial nature. As a matter of fact, information in the original request for plan approval and in subsequent income tax returns of the employer relating to the actual and projected cost of the plan falls squarely within the province of the actuary and should be prepared by a person with the requisite professional qualifications.

The Federal government's interest in protecting accumulated pension assets against mismanagement or maladministration by plan administrators or other parties at interest is reflected in the Federal Welfare and Pension Plans Disclosure Act enacted in 1958. The original legislation was based on the concept that given access to the essential facts about the nature and operations of a particular pension plan, the participants and beneficiaries could be on guard against any malfeasance and could seek relief under existing laws of the various states and the Federal government against any malpractices which they might discover. This concept of policing by plan participants and beneficiaries proved unworkable and in 1962 the Act was amended to give the Secretary of Labor and the Department of Justice certain powers of enforcement, along with other changes designed to strengthen the administration of the Act.

In its present form, the Act requires the plan administrator of any pension or welfare plan covering more than twenty-five employees to file a description of the plan, including copies of all pertinent documents, with the Secretary of Labor within ninety days after establishment of the plan. Any changes in the plan must be reported to the Secretary of Labor within sixty days after they have been effectuated. The plan administrator must make available to participants and beneficiaries, upon written request, a copy of the plan and an adequate summary of the latest annual report. Plans covering one hundred or more participants must file an annual financial report to the Secretary of Labor in a form prescribed by the Secretary. Among the items of an actuarial nature called for in the annual report Form D-2 are the type and basis of funding, actuarial assumptions used, and (except for benefits completely guaranteed by an insurance company) the amount of current and past service liabilities. At his discretion, the Secretary of Labor may require a financial report from covered plans having fewer than one hundred participants. When he has reasonable cause to believe that investigation may disclose violations of the Act, the Secretary may make such investigations as he deems necessary and take such legal action

as may be appropriate. His investigative powers may extend to questioning of actuarial assumptions. The Act makes provision for an Advisory Council on Employee Welfare and Pension Benefit Plans consisting of thirteen representatives of various interested groups appointed by the Secretary of Labor.

The most recent manifestation of Federal government interest in the sound functioning of the private pension mechanism is the report entitled *Public Policy and Private Pension Programs* prepared by the President's Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs and transmitted to President Johnson in January, 1965. Among the recommendations in this report is the very significant one that qualified pension plans of the defined benefit type be required to pursue a funding policy that, as a minimum, would call for the funding on a current basis of normal costs and the funding of the past service liability or other supplemental liability over a period that roughly approximates the average work life of the participants but not more than thirty years after the event that creates the supplemental liability. Defined contribution plans would be expected to follow a funding policy consistent with this recommendation. The recommendation, designed to enhance the security of benefit expectations, would be implemented by requiring that the funding process be *certified* at the inception of the plan and at least every three years thereafter by an *actuary with acceptable professional qualifications*. Concurrent with the actuarial certification, a determination of the value of the assets would be made by a professionally qualified public accountant.

At the state level, the professional qualifications of actuarial practitioners is of significance in connection with the regulation of life insurance companies (especially their solvency), a subject to be covered by another statement, and to a lesser extent in connection with the disclosure laws found on the books of five states. Roughly analogous to the Federal disclosure act, these laws require the reporting of information of an obviously actuarial nature, the Wisconsin law being particularly searching.

(d) *Lack of legal status of the actuary*

The importance of wise actuarial guidance to the sound functioning of the private pension system is generally conceded. The future economic welfare of a very substantial proportion of the working population rests heavily upon the technical qualifications and professional integrity of the persons who provide actuarial services to employers, unions, and other plan administrators.

It should be a matter of concern that at present there are no legal restraints in the United States on the use of the designation "actuary", with the possible exception of a few statutes that may be applicable to certain activities of consulting actuaries. In no state must a license be obtained to practice as an actuary, and subject to one limited exception the Federal and state laws and regulations which impose obligations involving the services of actuaries do not define the term "actuary" nor prescribe any qualifications for such a practitioner.

For example, Section 1.404(a)-2(a) of the Federal Income Tax Regulations requires the employer to submit, at the time of establishment or revision of a pension or annuity plan, a detailed description of all the methods, factors, and assumptions used in determining costs and in adjusting the costs for actual experience under the plan. Furthermore, all deductions claimed in the employer's annual income tax returns for contributions to a pension or annuity plan must be supported by an explanation of applicable limitations on deductions and a summary of the costs or liabilities and adjustments for the year in question based on the application of the cost methods, factors, and assumptions used under the plan. This information is strictly actuarial in character and should be prepared by a person having recognized actuarial skills, whether for the purpose of detecting overfunding or underfunding. While one section of the governing regulations (Sec. 1.404(a)-4(b) of the Federal Income Tax Regulations) requires the submission of an "actuarial certificate" under certain infrequent circumstances, the Treasury seems willing to accept such a certificate or other document containing actuarial data from anyone who holds himself out as an actuary or, indeed, from one who makes no claim to professional competence. The parallel section of the regulations in effect before enactment of the 1954 Internal Revenue Code made reference to "a certificate by a *qualified actuary*" (Italics supplied). It is said that the change in wording was made to relieve the Internal Revenue Service of the implicit obligation of defining the term "qualified actuary" and establishing a mechanism for evaluating the professional qualifications of persons submitting the required certificates.

It was pointed out above that the Federal Welfare and Pension Plans Disclosure Act calls for the reporting of some information that only a professionally qualified

actuary can assemble. In recognition of this, representatives of the Society of Actuaries and the Conference of Actuaries in Public Practice met with certain members of Congress while the Act was pending and urged that the legislation require certification of the actuarial data by actuaries having proper professional credentials. This advice was not heeded, although the Senate-House Conference Report did accord some recognition to the actuarial services involved when it stated that:

"The conferees in considering the requirement in the House amendment that all annual reports include the actuarial assumptions relating to the particular pension plan agreed that since actuarial assumptions of pension plans are generally highly technical and exceedingly broad, for the purpose of this act it should surely be sufficient to make available the most recent applicable actuarial report by the consulting actuary of the plan."

Attempts to embody in the 1962 amendments to the Act formal recognition of the professional qualifications required for certification of actuarial information were equally unsuccessful. Moreover, the first appointments to the Advisory Council set up pursuant to the 1962 amendments did not recognize actuaries as an "interested" group. However, the Council now includes three actuaries, one being specifically designated as a representative of the actuarial profession.

On the positive side, the *President's Report on Corporate Pension Funds* apparently contemplates the creation of a procedure whereby the technical qualifications and integrity of persons who offer actuarial services to qualified pension plans will be subjected to scrutiny by some public body.

The consequences of this current lack of legal recognition of the actuarial profession is that over the years a large number of persons, many of whom are not members of any recognized professional actuarial organization, have set themselves up as consulting actuaries. Such consultants have been especially active in the pension field where the demand for actuarial guidance and services has exceeded the supply of "actuaries" possessing the traditional qualifications and credentials. Some of these persons while lacking formal training have, by dint of self-discipline and long experience, developed a competence in the field of pensions superior to that of actuaries trained more broadly and without specific responsibilities in the area of employee benefit plans. Unfortunately, however, too many self-styled actuaries are not qualified by training or experience to provide the sort of actuarial direction needed to protect the various public and private interests involved. Clearly, some form of public control is called for with respect to those persons who chart the actuarial course for pension plans.

(e) *Approaches to ensuring minimum standards of actuarial competence*

Minimum standards of actuarial competence can be sought through private or public approaches. The private approach is exemplified by the activities of the professional actuarial bodies which have established standards of technical competence and professional conduct. While these groups have made commendable progress in enforcing these standards with respect to their membership, they do not have the authority to exclude from the public practice of actuarial science those persons who are not members and may not measure up to their standards. Thus, some form of public control seems to be the only feasible approach.

Public control might take one of three forms: licensing, certification, or accreditation. Licensing would be the most pervasive but least selective form of control. Under this procedure, any one wishing to operate as a public or independent actuary would be required to obtain a license from some regulatory agency and in doing so would presumably have to satisfy certain professional and moral criteria. In addition to a number of other possible difficulties, this approach would involve the very troublesome problem of developing an acceptable definition of "public actuary."

Under the certification approach, any individual could practice as a public actuary—without a license—but an appropriate regulatory agency would prescribe and administer a special set of requirements which would have to be satisfied by those public actuaries who want their professional qualifications to be recognized or certified by a public body. These requirements would be more rigorous than those prescribed as a part of a licensing procedure and would be designed to test the candidate's ability to perform any actuarial function that might be required of a public or independent actuary. Persons meeting these requirements would be entitled to use a designation such as "Certified Public Actuary." State or federal law might limit the performance of certain actuarial functions to individuals possessing a certified status. One of these functions might be the certification of his findings from an actuarial review of a pension plan and its operations. This

certification concept and the statutory reservation of certain functions to persons who have achieved a certified status would be precisely comparable to the certification of public accountants and the delegation of certain functions, closely allied to the public interest, to public accountants who have earned such recognition.

The least restrictive form of regulation of public actuaries would be the accreditation approach. This approach would be similar to the certification procedure but would be more selective in scope. In essence, each governmental agency whose responsibilities include the collection and evaluation of actuarial data would establish its own set of qualifications for those actuarial practitioners with whom it has dealings. Those actuaries who meet the special requirements of the agency would be "accredited," and the agency would accept actuarial certificates and reports only from actuaries who have an accredited status. The agency's qualification standard would presumably be drawn up in terms of the special skills and knowledge needed to perform the functions in question and would be designed to produce a higher level of proficiency than could be expected under a more general certification procedure. Actuaries operating in areas not involving accreditation would not be subject to any regulatory authority.

The accreditation approach would seem to be the most appropriate and effective method of establishing minimum standards of actuarial competence and responsibility in connection with private pension plans. However, all agencies having supervisory authority over pension plans should adopt the same set of requirements. The professional qualifications needed by a pension actuary are not affected by the jurisdiction in which he operates or by the supervisory agency for which he prepares actuarial statements or certifications. Moreover, since many pension actuaries operate on an interstate basis and deal with several Federal and state agencies, the use of diverse standards would be unduly burdensome. The simplest and most obvious method of achieving uniformity of standards would be to use the American Academy of Actuaries as the vehicle for accreditation. As a matter of fact, the dominant motivation for the creation of the Academy was the belief that it could serve this function.

Prior to the formation of the Academy, there was no one professional body which could lay rightful claim to the accreditation function. There were (and still are) four separate actuarial organizations, serving the interest of different branches of the profession. The membership requirements of these separate organizations are quite different and, to some extent, irreconcilable because of the disparate functions and objectives of the groups involved. For example, membership in the Society of Actuaries has been achieved through examination while the Conference of Actuaries in Public Practice relies exclusively on experience (and, of course, good character). While the four organizations had much in common and were prepared to make reasonable compromises to achieve substantial uniformity of approach and operation, a complete merger was out of the question in the foreseeable future.

Faced with these realities and keenly aware of the need—indeed the urgency—for establishing a mechanism for more effective accountability of actuarial activities in the public realm, the leaders of the four actuarial bodies joined together to bring into existence a new "umbrella" organization, namely the American Academy of Actuaries. United States residents holding the highest level of membership in the four existing organizations were blanketed into the new organization, and procedures consistent with the goals of the Academy and the public interest were adopted for the admission of qualified persons in the future. The Academy is in the process of assuming certain functions common to the four sponsoring but autonomous bodies and has already adopted a set of Guides to Professional Conduct. After a reasonable transition period the basic requirements for future entry into the Academy will be based on a combination of examinations and experience.

It would seem highly appropriate that the Academy be granted a Federal charter. It is a national body, both in its membership and in its scope of operations. Actuaries in public practice, for whom accreditation procedures are most essential, commonly practiced in more than one state and many operate throughout the country. Even more relevant is the fact that public interest in the quality of actuarial services is found predominately at the Federal level, especially in connection with private pension plans. If membership in the Academy should become the basis for accreditation by such Federal agencies, as the Internal Revenue Service, the Department of Labor and the Securities and Exchange Commission, it would appear logical that the Federal Government should have the right, as well as the responsibility, to assure itself that the Academy is functioning in a manner compatible with the public interest. In the legislation granting a

charter, the Federal Government could make provision for whatever degree and form of accountability that might be deemed necessary for a private organization expected to set the standards for actuarial practitioners dealing with the Federal Government.

Finally, a Federal charter would be the most expeditious manner of instituting accreditation procedures on a national scale. At best, it would undoubtedly take many years to work out the details of accreditation on a State-by-State basis. In any event the existence of a Federally chartered professional organization of actuaries with all that this implies in the way of maintaining and improving the quality of actuarial services, should greatly encourage the states to take whatever steps are necessary to safeguard the interests of their citizens.

Mr. ROGERS. Proceed in your own manner.

Dr. MCGILL. I will do everything except escalate.

Mr. ROGERS. You might require that before you are through.

Dr. MCGILL. This movement which had its inception in the United States with the establishment of the American Express Co. retirement plan in 1875, grew rather slowly until World War II at which time a combination of factors set off an expansion that has produced an institution with major social, economic, and political implications.

At the present time, there are more than 50,000 privately administered pension plans covering 25 million employees and accounting for assets in the neighborhood of \$80 billion. It is estimated that by 1980, 42 million employees will be covered by private pension plans that will control \$200 billion in assets and will be paying \$9 billion per year in benefits to 10 million retired persons. The covered segment of the labor force is expected to embrace 85 percent of the group believed to lend itself to coverage under these plans.

If these plans are to fulfill the business, union, and social purposes for which they have been, and will be, established, they must have the benefit of competent actuarial guidance, not only at inception but also at regular intervals thereafter.

The precise role of the actuary will vary from plan to plan but generally speaking a qualified actuary should determine the probability of occurrence of those future events that will call for payments under the plan, estimate the probable amount of such payments, and ascertain the sums of money that must be set aside from time to time to meet such payments.

Assumptions must be made as to mortality rates, rates of disablement, rate of return on investments, rates of employee withdrawal, ages at which retirement will take place, the behavior of wage and salary rates, and perhaps other matters.

After the plan has been in operation for a period of time, the actuary should examine the experience of the plan to test the validity of his earlier assumptions. If substantial deviations are found the assumptions may have to be modified. The actuary must also prepare periodic valuations of the liabilities under the plan to determine whether the funding policy being pursued by the employer will prove adequate.

In all these matters, the actuary must combine sound judgment and keen sense of professional integrity with valid mathematical techniques.

There is a substantial public interest in the quality of the actuarial services available to the administrators of pension plans. At the Federal level, this interest is associated with protection of the Federal revenues against improper use of the special tax treatment accorded "qualified" pension plans, protection of accumulated pension

assets against misappropriation or maladministration, and insuring the fulfillment of the benefit expectations of plan participants.

With respect to the first concern, the Internal Revenue Service requires the submission of certain documents, information, and statistical data at the time a plan seeks a "qualified" status and each time thereafter that the employer claims a tax deduction for contributions to the plan. Much of the information is strictly actuarial in nature, dealing with such matters as the methods, factors, and assumptions used in estimating the current and projected cost of the plan. Safeguards against mismanagement of pension assets are provided in the Federal Welfare and Pension Plans Disclosure Act, as amended, which requires each plan that covers 100 or more participants to submit an annual financial report to the Secretary of Labor showing, among other information, the type and basis of funding, actuarial assumptions used, and the amount of current and past service liabilities.

As a further step toward enhancing the security of benefit expectations, the President's Committee on Corporate Pension Funds has recommended that qualified pension plans be required to observe certain minimum standards of funding, a requirement that would be implemented by periodic certifications of actuaries with acceptable professional qualifications.

It is apparent from the foregoing that the future economic welfare of a very substantial proportion of the working population rests heavily upon the technical qualifications and professional integrity of the persons who provide actuarial services to employers, unions, and other plan administrators. It should be a matter of concern that at present there are no legal restraints in the United States on the use of the designation "actuary."

In no State must a license be obtained to offer actuarial services to the (largely uninformed) public, and subject to one limited exception, the Federal and State laws and regulations which impose obligations involving the services of actuaries do not define the term "actuary" nor prescribe any qualifications for such a practitioner.

Thus, in the administration of the tax laws and the Federal Welfare and Pension Plans Disclosure Act, the Internal Revenue Service and the Department of Labor will accept as authentic, actuarial data submitted by anyone calling himself an actuary or, indeed, a person who makes no claim to professional competence in that area.

On the positive side, the President's Report on Corporate Pension Funds apparently contemplates the creation of a mechanism whereby the technical qualifications and integrity of persons who offer actuarial services to qualified pension plans will be subjected to scrutiny by some public body.

Governmental recognition of the need for establishing minimum standards of actuarial competence and responsibility in the area of private pensions (as in other areas) could take various forms but the preferred approach would seem to be that of accreditation. Under this approach, each governmental agency whose responsibilities include the collection and evaluation of actuarial data would establish its own set of qualifications for those actuarial practitioners with whom it has dealings.

Those actuaries who meet the special requirements of the agency would be "accredited," and the agency would accept actuarial certificates and reports only from actuaries who have an accredited status.

Actuaries operating in areas not involving accreditation would not be subject to official supervision.

Ideally, all agencies, whether Federal or State, having supervisory authority over pension plans should adopt the same set of requirements. The professional qualifications needed by a pension actuary are not affected by the jurisdiction in which he operates or by the supervisory agency for which he prepares actuarial statements or certifications.

Moreover, since many pension actuaries operate on an interstate basis and deal with several Federal and State agencies, the use of diverse standards would be unduly burdensome. The simplest and most obvious method of achieving uniformity of standards would be to use the American Academy of Actuaries as the vehicle for accreditation.

In other words, membership in the academy would be construed as meeting the accreditation standards. As a matter of fact, the dominant motivation for the creation of the academy was the belief that it could serve this function.

If the academy is to serve this public function, it would seem highly appropriate that it be granted a Federal charter. It is a national body, both in its composition and in its scope of operations. Actuaries in public practice, for whom accreditation procedures are most essential, commonly practice in more than one State and many operate throughout the country.

Even more relevant is the fact that public interest in the quality of actuarial services is found predominantly at the Federal level, especially in connection with private pension plans.

If membership in the academy should become the basis for accreditation by such Federal agencies as the Internal Revenue Service, the Department of Labor, and the Securities and Exchange Commission, it would appear logical that the Federal Government should have the right, as well as the responsibility to assure itself that the academy is functioning in a manner compatible with the public interest. In the legislation granting a charter, the Federal Government could make provision for whatever degree and form of accountability that might be deemed necessary for a private organization expected to set the standards for actuarial practitioners dealing with the Federal Government.

Finally, a Federal charter would be the most expeditious manner of instituting accreditation procedures on a national scale. At best it would undoubtedly take many years to work out the details of accreditation on a State-by-State basis. In any event, the existence of a federally chartered professional organization of actuaries with all that this implies in the way of maintaining and improving the quality of actuarial services, should greatly encourage the States to take whatever steps are necessary to safeguard the interests of their citizens.

Feeling the way I do about this matter, I respectfully urge the subcommittee to take favorable action on this proposed legislation.

Mr. ROGERS. Doctor, I take it from your testimony that you feel that there is a necessity for some Federal action relating to actuaries or the regulation of their profession. Is that correct?

Dr. MCGILL. I feel very strongly on that matter.

Mr. ROGERS. Heretofore there have been four professional organizations which admit actuaries to membership under certain conditions?

Dr. MCGILL. There have been four professional organizations which have now joined together into this umbrella organization called the American Academy while still retaining their independent, autonomous states. They have had their own standards of admission into the society or into the organization.

Mr. ROGERS. If a charter is granted, certainly you would anticipate, wouldn't you, that any person who professes to be an actuary may become a member of this society. How are you going to separate the sheep from the goats in this case?

Dr. MCGILL. As you undoubtedly realize, the way the academy has been set up on an unincorporated basis, everyone who has the highest level of membership in the four existing bodies have been admitted to membership in the academy, but the academy is in the process of working out the procedures that will govern new entrants into the academy, and that will, as I understand it, involve examinations and experience requirements. To answer your question specifically, Mr. Chairman, I would think that any person who felt he had the qualifications to be an actuary and wanted to be an actuary would eventually seek admission to the academy.

Mr. ROGERS. Do I understand it that it is your thought that any person who is now a member of any one of these four actuarial societies, if a charter was granted to the American Academy, would automatically qualify as an actuary?

Dr. MCGILL. He would automatically be admitted to membership in the academy.

Mr. ROGERS. That is, if a Federal charter is granted and he becomes a member of the academy then he would have qualifications which should be recognized not only at the Federal but also at the State level. It would resemble the admission of lawyers to the practice of law.

Dr. MCGILL. That is right. In the judgment of his peers, he would be qualified for admission into this professional group.

Mr. ROGERS. What standards would you set for admission of those in the future who may come along and say, "I am an actuary, and I want to practice the profession?" Would you propose that the members of the academy that would be created by this charter give the examination, and, if so, what is to be the nature of that examination?

Dr. MCGILL. I would certainly expect the academy, which contains the most eminent actuaries in the country, to establish their own set of examinations, selecting the subjects that would be covered, making up the questions, and grading the examinations, subject to whatever supervision the Congress might feel to be necessary in order to safeguard the interest of persons who may want to become members. That is the practice in two of the societies at this time, that is, one gets membership through examination, and, of course, good character.

Mr. ROGERS. Now, you have four groups, as I understand. The four have agreed that they should all get together as one new organization.

Dr. MCGILL. While retaining their autonomous status.

Mr. MACGREGOR. Somewhat like a governmental umbrella.

Dr. MCGILL. I am prepared to answer your question in considerable detail. I am also prepared to call on John Miller who is the person who has been closest to the academy from the beginning and as a

former president of the Society of Actuaries, knows fully the qualifications that have been required in the past for membership in the society.

Mr. ROGERS. There has been supplied to the committee a statement by the American Academy of Actuaries entitled, "Guide to Professional Conduct," issued by the authority of the Board of Directors in December of 1965. Also a document entitled "Proposed Bylaws of the American Academy of Actuaries," dated January 31, 1966. If there is no objection I will offer these for the record at this point. (The document referred to is as follows:)

AMERICAN ACADEMY OF ACTUARIES GUIDES TO PROFESSIONAL CONDUCT ISSUED
BY AUTHORITY OF THE BOARD OF DIRECTORS, DECEMBER 1965

Professional conduct involves the actuary's own sense of integrity and his relationship with those to whom he renders professional services, with other members of the profession and with the world at large. In all these relationships every member of the profession is concerned with his own behavior and, as the good name of the profession is the concern of all its members, with the behavior of his colleagues.

In order to assist the Board of Directors and the Academy in achieving the objectives of the Academy, and more importantly to guide members of the Academy when they encounter questions of professional conduct as actuaries, the following "Guides to Professional Conduct" have been prepared by order of, and approved by, the Board. As is true of codes of ethics generally, these guides deal with precepts and principles only. They are not precise rules and are subject to interpretations in relation to the variety of circumstances that occur in practice. Any member wishing guidance in the application of these guides to a particular set of facts is urged to consult the Chairman of the Professional Conduct Committee.

1. *Professional duty*

The member shall at all times act in a manner to uphold the dignity of the actuarial profession and to fulfill its responsibility to the public.

The member shall not provide actuarial service for or associate professionally with any person or organization where there is an evident possibility that his service may be used in a manner that is not in the public interest or the interest of his profession or in a manner to evade the law.

The member will bear in mind that the actuary acts as an expert when he gives actuarial advice, and he will give such advice only when he is qualified to do so.

2. *Nature of the member's responsibility to his principal*

Matters must be so ordered that all concerned are clear as to who is the member's principal and in what capacity the member is serving his principal.

In any situation in which there is or may be a conflict of interest involving the member's actuarial service, whether one or more clients or employers are involved, the member will not perform such actuarial service if the conflict makes or is likely to make it difficult from him to act independently. Even if there is no question as to his ability to act independently, he will not act until there has been a full disclosure of the situation to all parties involved and such parties have expressly agreed to his performance of the service.

3. *Relationship with his principal*

A member's relationship with his principal is personal, and confidential; there must be no unauthorized disclosure of the principal's affairs to a third party.

The member will recognize his ethical responsibilities to the person or organization whose actions may be influenced by his actuarial opinions or findings. When it is not feasible for the member to render his opinions or findings direct to such persons or organization, he will act in such manner as to leave no doubt that he is the source of the opinions or findings and to indicate clearly his personal availability to provide supplemental advice and explanation. If his opinions or findings are submitted to another actuary for review, he or the other actuary will be available for supplemental advice and explanation.

4. *Impartiality and independence*

A member must give impartial and unbiased professional advice, for which purpose he must be completely independent of any outside influence, whether as a result of any employment or financial associations he may have or otherwise. Moreover, his actions should be recognizable as impartial and unbiased by his principal and by the other members of his profession.

The member will recommend for the use of his client or employer premium or contribution rates, dividends, standards of valuation, or other related actuarial functions only if, in his opinion, they are based on adequate and appropriate assumptions and methods. If, nonetheless, other assumptions or methods are specified by the client or employer, the member will include a qualification thereon in any applicable certification, communication, or report which he may be called upon to issue over his name.

The member will submit unqualifiedly an actuarial calculation, certificate, or report only if he knows it to be based on sufficiently reliable data and on actuarial assumptions and methods that, in his judgment, are consistent with the sound principles expounded in recognized texts, sources, or precedents relevant to the subject at hand. In the absence of such knowledge, or if the member believes that other expert review is also desirable, his submission will include appropriate qualification of his findings.

5. *Advertising and publicity and relations with other members*

A member must not directly or indirectly do or permit anything which can reasonably be regarded as being likely to attract professional work unfairly.

The member shall not compete with any other actuary for employment by deliberate underbidding.

The member shall not attempt to supplant another actuary unless specifically requested to do so by the client of the other actuary.

The member shall not attempt to injure, falsely or maliciously, directly or indirectly, the professional reputation, prospects, or business of any other actuary.

The member will conduct his competition on a high plane. He will avoid unjustifiable or improper criticism of others and will recognize that there is substantial room for honest differences of opinion on many matters.

6. *Remuneration*

The member will make full and timely disclosure to a client as to all direct and indirect compensation that he or his firm may receive from all sources in relation to any assignment the member or his firm undertakes for the client.

7. *Use of titles*

The member will use a title or designation dependent upon election or appointment within the Academy, such as "President," "Member of the Board of Directors," or "Member of the Education and Examination Committee," only when he is acting in such capacity in behalf of the Academy.

PROPOSED BYLAWS OF AMERICAN ACADEMY OF ACTUARIES

ARTICLE 1. MEMBERSHIP

Section 1. Members.—Individuals having membership in the Academy shall be called "Members."

Members shall be entitled to vote, hold office, make nominations, and generally exercise the rights of full membership. They are authorized to designate themselves as Members of the American Academy of Actuaries. In all references to Members, words implying the masculine gender shall include the feminine gender.

Section 2. Requirements for Admission to Membership.—(a) *On the date the Incorporators meet to complete the organization of the Academy, hereinafter called the "Date of Organization", the following shall be enrolled as Members—*

(i) The Incorporators, and

(ii) All Members of the American Academy of Actuaries, an unincorporated association, and

(iii) Any individual resident in the United States of America who, at the Date of Organization of the Academy, was a

Fellow of the Casualty Actuarial Society, a Fellow of the Conference of Actuaries in Public Practice, an Active Member of the Fraternal Actuarial Association, or a Fellow of the Society of Actuaries,

provided he does not submit a written declination within 60 days following the Date of Organization of the Academy.

(b) *After the Date of Organization.*—Any person not enrolled under (a) may apply for membership and shall become a Member by meeting the following requirements provided that his application is approved by at least 75% of the whole Admissions Committee and confirmed by a majority of the whole Board of Directors or is approved by more than 50% but less than 75% of the whole Admissions Committee and confirmed by at least 75% of the whole Board of Directors.

In the "experience" requirements referred to in this Section, it shall be assumed that Fellowship by examination in any of the actuarial organizations named above may be treated as equivalent to two years of experience in responsible actuarial work. "Responsible actuarial work" is defined as actuarial work which has required knowledge and skill in solving practical problems in any of the following fields: Life and health insurance involving individual policies, Group insurance, Social insurance, Pensions, Property and casualty insurance.

(i) If at the Date of Organization such applicant was a

Fellow or Associate of the Casualty Actuarial Society, a

Fellow, Member or Associate of the Conference of Actuaries in Public Practice, an

Active Member or Associate of the Fraternal Actuarial Association, or a

Fellow or Associate of the Society of Actuaries

and, at the date of application for membership, had had seven years of experience in responsible actuarial work, he may submit an application to the Admissions Committee, including evidence of his experience and such other evidence as may be required by the Board.

(ii) If such applicant is not eligible to apply under subsection (b)(i), he may, upon nomination by two Members of the Academy, become a candidate for membership and shall become a Member by meeting both the experience requirements and education requirements set forth below, subject to approval by the Admissions Committee and the Board.

Experience requirements

Every such candidate must have had seven years of experience in responsible actuarial work. The candidate's application must be signed by two Members of the Academy, as nominators, and shall include a statement by each of them setting forth their knowledge of the nature and extent of the applicant's experience.

Education requirements

First four years: Every such candidate who applies before the fourth anniversary of the Date of Organization of the Academy shall submit a special application including a resume of his education background and experience, together with such other information as the Admissions Committee may request. The Admissions Committee may also require an examination designed to test the applicant's knowledge, skill and experience.

Next three years: Every such candidate who applies on or after the fourth anniversary of the Date of Organization of the Academy but before the seventh anniversary shall be required to have passed a series of examinations given by the Academy or examinations of other professional organizations recognized and accepted by the Academy, providing a comprehensive test of the applicant's knowledge of the following subjects:

All Candidates:

General mathematics.

Probability and statistics.

Compound interest.

Application of mathematics to the evaluation of risk contingencies.

Elements of graduation and construction of experience tables.

Life and Health Insurance and Pensions Major: Sources and characteristics of the principal mortality and disability tables (including the methods used in the construction and graduation of such tables) and of the principal mortality and disability investigations; or

Property and Casualty Insurance Major:

Insurance coverages and policy forms;

General principals of rate making.

Examinations given by the Academy will emphasize the application of the candidate's knowledge and skills to the solution of appropriate problems and may include (1) open book tests with ample time allowed for the candidate to demonstrate thoroughness and judgment, and (2) oral examinations designed to evaluate the candidate's professional experience.

During this three year period, the Board of Directors may from time to time increase the number of examinations included in the requirements in an effort to attain gradually over this period the requirements which will be effective after seven years as set forth below.

After seven years: Every such candidate who applies on or after the seventh anniversary of the Date of Organization of the Academy shall be required to have passed the examinations described above, further extended to include the following subjects:

All Candidates:

Insurance economics and investments.

Valuation of assets.

Analysis of expenses.

Life and Health Insurance and Pensions Major:

Actuarial aspects of life insurance accounting;

Valuation of liabilities;

Gross premiums for individual life insurance and annuities;

Selection of risks for individual life insurance;

Analysis and distribution of surplus for individual life insurance and annuities;

Group insurance;

Employee retirement plans;

Individual health insurance;

Social insurance; or

Property and Casualty Insurance Major:

Insurance law;

Supervision of insurance;

Regulation of insurance and taxation;

Statutory insurances;

Premium, loss, and expense reserves;

Property and casualty insurance accounting.

ARTICLE 2. MEETINGS OF THE MEMBERS

There shall be an Annual Meeting of the Members each fall at such time and place as the Board of Directors shall designate.

The agenda of the Annual Meeting shall be as follows:

- (a) Approval of minutes of previous meeting;
- (b) Report of Officers;
- (c) Old Business;
- (d) New Business;
- (e) Elections;
- (f) Adjournment.

Special meetings of the Members may be called by the Board of Directors.

Upon request of not less than five percent of the Members, the President shall call a meeting of the Members.

At all meetings one hundred Members shall constitute a quorum.

Notice of a meeting, specifying the place, date and hour of the meeting, shall be given to each Member not less than twenty nor more than forty days before each meeting.

ARTICLE 3.—BOARD OF DIRECTORS

Section 1. Composition.—The Board of Directors, hereinafter called "The Board," shall consist of eighteen Elected Members, the Officers who may or may not be Elected Members, and the two immediate Past-Presidents or the Past-President if there by only one.

Section 2. Election and Term of Office.—As provided in Section II of the Charter of the Academy, a majority of the Incorporators of the Academy shall elect the first Board of Directors. The Directors so elected shall serve only until the close of the first annual meeting of the Academy.

At the first annual meeting of the Academy the Members shall elect eighteen Members as Elected Members of the Board for terms as follows: Six to serve for a period of three years; six to serve for a period of two years; and six to serve for a period of one year. At each annual meeting thereafter the Members shall elect six Members as Elected Members of the Board to serve for a period of three years. Specifically the term of office of a Director shall begin at the close of the annual meeting of the Academy at which he is elected and shall continue until the close of the annual meeting at the end of the term for which he was elected

and until his successor shall have been elected. Members receiving the greatest number of votes shall be elected, provided the number of votes received is not less than one-third of those cast. A retiring Elected Member of the Board shall not be eligible for re-election as an Elected Member at the annual meeting at which his term expires, except that service of a Member as a Director for the interim period prior to the first annual meeting shall not make such Member ineligible for reelection. A Past-President shall not be eligible for election as an Elected Member of the Board at the time at which his ex-officio membership on the Board as Past-President expires. If a vacancy occurs among the Elected Members of the Board, it shall be filled for the unexpired term at the next annual meeting of the Academy.

Section 3. Meetings.—There shall be an annual meeting of the Board within forty-eight hours after the close of the annual meeting of the Academy. Special meetings of the Board shall be called whenever the President or at least five members of the Board so request.

Meetings of the Board may be held either within or outside of the District of Columbia. Notice of a special meeting shall be sent to each member of the Board not less than ten nor more than thirty days before the time appointed.

During any interim between meetings of the Board, the President may obtain Board action by using mail ballots.

Section 4. Quorum.—At meetings of the Board, one-third of the members of the Board shall constitute a quorum.

Section 5. Duties.—The duties of the Board shall include without limitation the following:

- (a) To act in accordance with the provisions of the charter of the Academy;
- (b) To establish the location of the principal office of the Academy;
- (c) To invest and administer the funds of the Academy;
- (d) To arrange for an annual audit of the accounts of the Treasurer;
- (e) To prescribe examinations and other requirements for admission, as provided in Article 1, Section 2, of the Bylaws;
- (f) To elect the Officers of the Academy;
- (g) To approve applications for membership as required in the Bylaws;
- (h) To elect an Admissions Committee, a Review and Evaluation Committee, and to authorize such other committees as it may deem necessary for the conduct of the affairs of the Academy.

ARTICLE 4. OFFICERS

Section 1. Officers.—The Officers of the Academy, all of whom shall be Members, shall consist of a President, a President-Elect, four Vice-Presidents, a Secretary, and a Treasurer.

Section 2. Election and Term of Office.—As provided in Section II of the Charter of the Academy, a majority of the Incorporators of the Academy shall elect the first Officers. The Officers so elected shall serve only until the close of the first annual meeting of the Academy. Service of a Member as an Officer for such interim period shall not make such Member ineligible for re-election as an Officer at the first annual meeting of the Board.

At each annual meeting of the Board, the Directors present, by a vote of a majority of the whole Board shall elect, separately and in the order named, a President-Elect, two or more Vice-Presidents, a Secretary, and a Treasurer.

At the meeting of the Board following the first annual meeting of the Academy and at the annual meeting of the Board in any subsequent year, if either (a) the President-Elect has succeeded the President and has served in that capacity for six months or more by reason of the office of President becoming vacant, or (b) the office of the President-Elect is vacant, except in the case where the President-Elect has succeeded to the office of the President and has served in that capacity for less than six months, the Directors by a vote of a majority of the whole Board shall, prior to the election of the President-Elect, elect a President to serve from the close of such meeting of the Board until the close of the next succeeding annual meeting of the Board.

The first President-Elect shall succeed to the office of President at the close of the first annual meeting of the Academy and shall preside at the first annual meeting of the Board. Thereafter, except as hereinafter provided, the President-Elect, having been so elected at an annual meeting of the Board, shall automatically succeed the President at the close of the first subsequent annual meeting of the Board and he shall serve as the President until the close of the second subsequent

annual meeting of the Board. In the event the office of President becomes vacant, the President-Elect shall automatically succeed to fill the vacancy of the unexpired term. If the President-Elect so succeeds the President and serves in that capacity for less than six months prior to the close of the next annual meeting of the Board following his succession to the Presidency, he shall further serve as President until the close of the next subsequent annual meeting of the Board.

The term of two of the Vice-Presidents elected at each annual meeting of the Board shall be from the close of such meeting until the close of the second succeeding annual meeting of the Board. The term of any other Vice-Presidents elected at each annual meeting of the Board shall be from the close of such meeting until the close of the next succeeding annual meeting of the Board. The terms of the Secretary and the Treasurer shall be from the close of the annual meeting of the Board at which each is elected until the close of the next succeeding annual meeting of the Board. However, because the Officers who were elected by the Incorporators serve only until the close of the first annual meeting of the Academy, the Vice-Presidents, Secretary and Treasurer elected at the first annual meeting of the Board shall begin their term of office as soon as they are elected rather than at the close of such meeting.

Except as provided above, a retiring President shall thereafter be permanently ineligible for election for another term as President or President-Elect.

A retiring Vice-President shall not be eligible for re-election as a Vice-President at the meeting at which his term expires.

Each officer shall hold office for the term for which he is elected and until his successor shall have been elected.

In the event of vacancy in the office of both the President and President-Elect, the Board of Directors shall by majority vote of the whole Board elect a Member to fill the vacancy for the unexpired term of the President.

In the event a vacancy occurs among the Vice-Presidents, or in the office of Secretary or Treasurer, the Board of Directors shall by majority vote of the whole Board elect a Member to fill the vacancy for the unexpired term.

ARTICLE 5. DUTIES OF OFFICERS

Section 1. President.—The President shall preside at the meetings of the Board and of the Academy. He shall appoint committees authorized by the Board. He may sign with the Treasurer, or any other person authorized by the Board, contracts or other instruments which the Board has authorized to be executed.

Section 2. President-Elect.—The President-Elect shall have such duties as may be assigned to him by the President or by the Board. In the absence of the President, or in the event of his inability or refusal to act, the President-Elect shall perform the duties of the President's office.

Section 3. Vice Presidents.—Each of the Vice-Presidents shall have such duties as may be assigned to him by the President or by the Board.

Section 4. Secretary.—The Secretary shall record and file minutes of all meetings of the Board; give all notices; be custodian of the corporate records of the Academy; and in general shall perform all customary duties incident to the office of Secretary.

Section 5. Treasurer.—The Treasurer shall keep a register of the Members; have charge of the preparation and publication of any Year Book which may be published; have general supervision of any arrangements for holding examinations; have charge and custody of all funds and securities; collect dues; pay bills; prepare financial statements; and in general perform all customary duties incident to the office of Treasurer. The Treasurer shall give a bond for the faithful discharge of his duties, the cost of which shall be paid by the Academy.

ARTICLE 6. FINANCES AND CONTRACTS

Section 1. Dues.—Except as hereinafter provided, each Member shall pay such dues for each calendar year as may be established by the Board. Such dues shall be payable as of January 1 of the calendar year. Any Member who has become totally disabled or, who having attained age 65, notifies the Treasurer in writing that he has retired from active work, may be exempted from the payment of dues at the discretion of the Board. Any Member who has attained age 70 prior to the calendar year when dues are payable shall be exempted from the payment of dues.

It shall be the duty of the Treasurer to cause to be notified by mail any Member whose dues may be six months in arrears and to accompany such notice by a copy of this Section. If the dues remain unpaid three months following the time of

mailing such notice, the Treasurer shall strike the name of such Member from the rolls and such person shall cease to be a Member of the Academy. Such person may, however, again become a Member by applying for membership and by fulfilling the requirements for new Members in effect at the time of such application including payment of such arrears of dues as the Board shall direct.

Section 2. Contracts.—The Board may authorize any Officer or agent to enter into any contract or execute and deliver any instrument in the name or on behalf of the Academy.

Section 3. Checks.—All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness shall be signed by such Officer or agent of the Academy as shall from time to time be determined by the Board.

Section 4. Deposits.—All funds of the Academy not otherwise employed or invested shall be deposited to the credit of the Academy in such banks, trust companies or other depositories as the Board may select.

ARTICLE 7. RESIGNATION AND DISCIPLINE OF MEMBERS

Section 1. Resignation.—Any Member who is not in default in payment of dues and against whom no complaints or charges are pending may at any time file his resignation in writing with the Treasurer.

Section 2. Discipline.—The Board shall have the power to consider and take action, as herein provided, with respect to all questions which may arise as to the conduct of a Member in his relations to the Academy or its Members, or in his profession, or in the practice thereof, or affecting the interests of the actuarial profession. The Board may, on its own initiative, investigate and take action with respect to any such question, and may also receive and hear any complaint relating to the conduct of a Member preferred in writing and subscribed to by a Member. In the course of dealing with questions and complaints relating to the conduct of Members, the Board may appoint, from among the Members of the Academy, committees and boards vested with the powers specified herein;

(a) Investigating committees empowered to investigate questions and complaints and to prefer charges against a Member.

(b) Prosecuting committees empowered to prosecute charges against a Member at hearings before the Board or a disciplinary board.

(c) Disciplinary boards empowered to hear evidence relating to questions and complaints and to make findings with respect to such evidence.

The procedures for such committees and boards shall be prescribed by the Board. The Board may retain counsel for the assistance of the Board and of committees and boards appointed by it.

In any hearing before the Board or a disciplinary board, a Member proceeded against shall have the right to appear personally and by counsel, to be informed of the nature and content of the question or complaint, to examine the evidence presented, to examine adverse witnesses, and to present witnesses and evidence in his behalf. Any Member preferring a complaint may appear personally and by counsel. Witnesses called in the course of hearings involving conduct shall vouch for the truth of their statements on their word of honor.

All proceedings under this Section, and all action taken with respect thereto, shall be deemed confidential and kept secret, except that the Board may, in its discretion, make written reports to the Academy concerning such proceedings and the results thereof and shall render an official written report to the Academy in all cases in which the Board orders the suspension or expulsion of a Member. In rendering such reports, the Board need not set forth the evidence upon which its decision is based.

In all proceedings under this Section, the Board shall decide, directly or upon review of the findings of a body appointed by it, whether or not misconduct has occurred. If the Board finds that misconduct has occurred, it may warn, admonish, reprimand, suspend, or expel the Member, provided that no order reprimanding, suspending, or expelling a Member shall be issued except after a hearing before the Board or a disciplinary board, and no order suspending or expelling a Member shall take effect unless and until confirmed at a meeting of the Academy by a vote of at least two-thirds of the Members present and voting.

The Board may, in its discretion, reinstate to membership at any time a Member suspended under this Section, provided such action shall be reported at the next meeting of the Academy. A Member who has been expelled under this Section may be reinstated upon recommendation of the Board, confirmed by a vote of a majority of the Members present and voting at a meeting of the Academy.

ARTICLE 8. NOTICE

The requirement that notice be given to Members or other persons shall be satisfied when a letter has been deposited in a United States Post Office mail box addressed to the last-known address of such person.

ARTICLE 9. INDEMNIFICATION OF DIRECTORS, OFFICERS AND COMMITTEE MEMBERS

Every person or his personal representative made a party to any action, suit or proceeding by reason of the fact that he is or was a Director, Officer or Committee Member of the Academy shall be indemnified by the Academy against any and all costs, judgments, reasonable settlements and reasonable expenses, including attorneys' fees, incurred by him in connection with any such action, suit or proceeding, but if it shall be adjudged in such action, suit or proceeding, that such Director, Officer or Committee Member of the Academy is liable for dishonesty or willful misconduct, including deliberate libel or slander, in the performance of his duties, then an indemnity will not be paid. Whether a settlement is reasonable shall be left to the judgment of the Board of Directors of the Academy.

ARTICLE 10. AMENDMENTS

Amendments to the Bylaws proposed by a vote of two-thirds of the Directors present at a duly convened meeting of the Board shall be mailed forthwith to the Members and shall become effective thirty days after such mailing, unless 10% or more of the Members notify the Secretary in writing within that time that they disapprove of the proposal. Any proposal thus disapproved shall be presented to the next annual meeting of the Academy and shall then take effect if approved by a majority of the Members present.

Mr. ROGERS. You made reference in your testimony to the need to protect Federal revenues in connection with pension plans that may be developed. Do you know of any instance where the Federal Government has lost any money as a result of not having adequate actuarial studies?

Dr. MCGILL. That is a very difficult question to answer. I do not personally have knowledge of any such instance, since to substantiate such an allegation, I would have to have access to all of the facts which the actuary, so-called, used in arriving at the proper deductions. The question involves the whole matter of the assumptions made as to the mortality rates, retirement rates, interest rates, and withdrawal rates, and they are subject to a considerable amount of manipulation.

Mr. ROGERS. Congress recently adopted what we refer to as the Keogh bill, which placed certain duties and responsibilities upon the Treasury Department to ascertain whether a particular plan qualified, before they could get certain income tax deductions on their income tax.

Dr. MCGILL. Yes.

Mr. ROGERS. And as a result the Treasury has been asking those who submit the plan questions about its effect and whether it is really a saving plan. Do you feel that if the Academy of Actuaries was federally chartered that it would help supply information and guidance to the Treasury Department, and those who may want to submit a plan as to the soundness of these plans?

Dr. MCGILL. Absolutely. As my longer statement would indicate, the Treasury is in the position at the moment, and has been from the time the first provisions were made for qualified pension plans, of having to accept the certifications on these cost estimates—which are the bases for income tax deductions—of anyone who calls himself an actuary. There is no system for screening the qualifications of these people who make the cost projections.

Mr. ZELENKO. Professor, do you know whether the incorporators or those who support the academy have urged individual departments or agencies of the executive branch to establish requirements for actuarial competence in order to practice before the department or agency? Have you sought such help from the executive agencies?

Dr. MCGILL. I have a general notion about this, but I would rather refer that question to Mr. Miller.

Mr. ROGERS. Let us identify Mr. Miller.

Mr. MILLER. John H. Miller, Mr. Chairman. I am vice president of the American Academy of Actuaries. My home is in Suffield, Conn.

Mr. ROGERS. A constituent of Congressman Boland?

Mr. MILLER. I work in his State. I work in Springfield, Mass.

Mr. MACGREGOR. I think counsel's question is an excellent one, and if it is deemed appropriate by you, I would like very much for Mr. Miller to answer the question at this point.

Mr. MILLER. At the time that the pension and welfare plans disclosure act was being—the regulations and administration were being developed by the Department of Labor, the officers of the Society of Actuaries learned about this, and developed plans to set up an advisory council. A delegation came down to talk with members of the Department of Labor pointing out that there is quite an involvement here, of the actuarial profession, and urged the consideration through including on this council I believe of 13 actuarial representatives. This was not done. As I recall, we were a little bit late in learning about this, in making our representations. Fortunately, as we see it, there was an actuary appointed to this original council, Mr. Charles Siegford, of the Metropolitan Life, a fellow of the Society of Actuaries, but he was appointed not as an actuary but as a representative of the life insurance business. He continues to be on this council.

Subsequently, the actuarial profession was recognized by the appointment to the council of Mr. Dorrance Bronson, who has been mentioned by Mr. Bailey. And a third member currently on the council is Mr. Howard Young, also a fellow of the society, and he is actuary to the United Automobile Workers. This is one case where the profession sought to offer its services to the Department of Labor in this respect and did not get immediate acceptance but is now very well represented.

Also, as I recall, there have been efforts to obtain from the Internal Revenue Service the recognition of actuaries as practitioners. At present an attorney and an accountant can be certified by the Internal Revenue Service as practitioners, I am not quite sure of the terminology, but there is not the recognition of actuaries there, although the code requires actuarial valuations and actuarial reports.

Mr. ZELENKO. The question was whether or not the actuarial societies have sought to get standards applied to them or to other practicing actuaries by the executive agency concerned.

Mr. MILLER. In effect, that is what this proposal is.

Mr. ZELENKO. But what about efforts other than this proposal?

Mr. MILLER. We are in this profession. The Society of Actuaries or any one of the other four organizations could hardly go and say we should be recognized unless we proposed that all four be recognized. We felt that the orderly procedure was to get a national organization, and then having that instrumentality we would then say now we have

an organization which represents actuaries generally, not any specific type of actuary, and we would feel that your particular department or service should recognize a member of this national comprehensive organization as competent to practice before the particular department or body.

Mr. ROGERS. Thank you.

Mr. Whitener, any questions?

Mr. WHITENER. I wonder if Professor McGill could tell us how many States now have licensing or certification procedures for actuaries.

Dr. MCGILL. None as I understand it.

Mr. WHITENER. Has there been any effort to bring that about at the State level on the part of your profession?

Dr. MCGILL. I know of none.

Mr. WHITENER. What is the reason that governmental agencies should not be charged with the responsibility of certifying or licensing actuaries just as they do certified public accountants, attorneys, and other professions?

Dr. MCGILL. I think one reason is that they just simply have not recognized the need until recently. Another reason is the fact that most of the actuaries in the country today are affiliated with insurance companies who, of course, have their own standards. It is only in recent years, with a proliferation of persons engaged in the public practice of actuarial science, primarily in connection with pension plans but to some extent with small insurance companies who could not afford their own actuaries, that there has been the need to set up some standards that could apply to the profession generally.

The greatest requirement has been on the Federal level. No State has felt an urgent need to do anything about the matter.

There are five States that have disclosure laws in connection with pension and welfare plans similar to the Federal plans where they do require actuarial certifications, but they have not set any standard or any criteria for measuring the competence of those persons who would submit the certificates. I think inertia may be blamed to some extent for the lack of action to date.

Mr. DONOVAN. Mr. Chairman—

Mr. ROGERS. Mr. Donovan has acted as a lawyer for the group. Can you answer the question that has been propounded here?

Mr. DONOVAN. I thought, Mr. Chairman—

Mr. ROGERS. For the record, would you state your name, address, and your connection with this association, if any.

Mr. DONOVAN. My name is James B. Donovan, and I am an attorney with the firm of Watters and Donovan, 116 Williams Street, New York, N.Y.

I am counsel to all these actuarial groups with respect to this legislation. I am a former chairman of the Section of Insurance, Negligence and Compensation Law of the American Bar Association, former chairman of the Insurance Section of the New York State Bar Association, former chairman of the Committee on Insurance Law of the Association of the Bar of the City of New York, and various other organizations.

The nature of my practice is such that I have appeared in matters pertaining to insurance in one form or another in probably every State in the United States, before all their regulatory bodies, and I

did want to address myself very briefly to the question that the Congressman asked because I feel to quite a degree this indicates the almost unique reasons requiring Federal charter for this body. We have carefully reviewed the veto message to which the chairman adverted earlier, and there would be no question in our minds but that by any standard that would be viewed by this subcommittee or the full committee, this organization rather uniquely qualifies.

The reason for this basically, Congressman, is that insurance is virtually the last great interstate industry without Federal regulation. To refresh your recollection, in 1944 the Supreme Court of the United States in the case of *The United States v. Southeastern Underwriters Association* for the first time ruled that the business of insurance was interstate commerce and subject to Federal regulation. Subsequently, the Congress enacted a statute providing that the business of insurance should be exempt from all Federal regulation to the extent that it is regulated by State law.

As a result, we have interstate industry supervised by 52 separate regulatory bodies. In order to prevent this from becoming a 52-ring circus, which it quite easily could become, primary reliance is placed upon a body known as the National Association of Insurance Commissioners, which attempts to create uniformity of regulation throughout the entire country. In specific answer, Congressman, to your question, if you chose rather than this approach to seek State-by-State regulation, it would almost necessarily have to go through the National Association of Insurance Commissioners. The quality of supervision of the business of insurance in the United States varies enormously from State to State. There simply is no comparison between the resources and the quality of supervision of some State insurance departments and others. In my judgment, if any attempt were made to approach this on a State-by-State basis, it would result in agreement on the lowest common denominator with, in my judgment, grave public disservice. Indeed, it would be worse than the existing situation in that you could have a standard created which could be misleading, whereas under this legislation the endeavor is for the first time to create national standards that should be respected by all the jurisdictions.

MR. WHITENER. Wherein is there any difference, Mr. Donovan, between the position of actuaries and the position of certified public accountants as far as doing interstate auditing in their professional work?

MR. DONOVAN. It is primarily because almost all the major carriers in this industry are admitted in all States in the United States. Also, with the enormous growth of these pension plans and with the Federal requirement at the moment in various statutes and regulations that there be certification by an accredited actuary, it is anomalous that there is no Federal definition of what constitutes an actuary.

MR. ZELENKO. Is the term "accredited" used in the statutes?

MR. DONOVAN. I believe the term accredited is used in one statute. We have in one of the prepared statements a detailed listing of these various statutes and regulations. The major pension plans which, as Professor McGill has indicated, now vitally concern the enormous majority of all the working force in the United States and, of course, through social security affect the lives of every one of us,

all of these are dependent for their integrity upon proper actuarial certification.

But I can assure you that I have participated in many hearings before State insurance departments in the United States in which an opponent, for example, of a rate increase in the field of automobile insurance will testify as a self-described consulting actuary, and cross-examination would bring out the fact that the man actually had only a grammar school education in arithmetic. Nevertheless, in that particular State the man was permitted to qualify himself as an expert witness and as a consulting actuary.

Mr. WHITENER. The membership of these four organizations would automatically become members of the American Academy of Actuaries?

Mr. DONOVAN. The highest level of membership in these organizations.

Mr. WHITENER. What sort of professional competence have they demonstrated in the form of examination or otherwise in order to be members of these four organizations?

Mr. DONOVAN. I think perhaps Mr. Miller could best describe the examination procedures, for example, with respect to the qualification of a full-fledged member of the Society of Actuaries.

Mr. ROGERS. Could you answer the question posed by Congressman Whitener?

Mr. MILLER. In the Casualty Actuarial Society, about which Mr. Linder will speak more, there has been I think from its very inception a very comprehensive and appropriately rigorous examination system. When you have passed about half these exams, you are admitted to membership as an associate, and upon completion of the remaining exams as fellow. The fellows are automatically blanketed into the academy. The associates are eligible to come in simply on the basis of showing adequate experience of at least, I think it is 5 years or 7 years.

Mr. WHITENER. So, he would be a grammar school man, too?

Mr. MILLER. Some of our finest actuaries acquired their actuarial studies by the midnight oil procedure. But, they passed these same examinations that the Ph. D. in mathematics is required to pass. This is the important thing.

Mr. ZELENKO. Do all four actuary organizations require examinations?

Mr. MILLER. No. I was going to mention them individually. The Society of Actuaries has a very similar examination procedure with the associateship and fellowship level. In fact, the first two exams are now jointly administered by these two societies, the Society of Actuaries and the Casualty Actuarial Society.

The Conference of Actuaries in public practice is a more recent organization which was created to meet the needs of the rapidly growing number of publicly practicing actuaries, mostly in the pension field.

I think about half of its membership are or were at the time of their admission members of the Society of Actuaries. The others were admitted on the basis of experience. In other words, to get the top level, the fellowship designation, an experience of 15 years was required, 10 years to be an associate member. Again these fellows are blanketed into the membership with the associates eligible

on showing of adequate professional experience of a substantial character.

The Fraternal Actuarial Association was created many years ago, at the time when the fraternal societies were a greater element in the insurance picture. These men were admitted on the basis of experience. Over the years, more and more of them have also obtained fellowships in the Society of Actuaries. So, two of the four organizations, and these comprise three-fourths of the aggregate membership—

Mr. ROGERS. May I interrupt you there. One group deals with insurance, life and so on, and another group is the fraternal associations—would you identify the nature of the work done by these two groups?

Mr. MILLER. The Fraternal Actuarial Association is composed of members; about half of them are consultants and half of them are employed by the fraternal organizations. It represents the actuaries who deal largely or completely in the fraternal field.

Mr. ROGERS. What is the one that deals strictly with life insurance that you mentioned?

Mr. MILLER. The Society of Actuaries encompasses life insurance, health insurance, and pensions.

Three-fourths of the membership in the four societies are in those two. Approximately that; yes.

Mr. ROGERS. What are the names of the other two groups and what types of practitioners do they represent? Do they confine themselves to pension plans or something of that nature?

Mr. MILLER. The Conference of Actuaries in public practice represents primarily the consulting actuary. In fact, no one but a man in public practice can be a fellow. They do have a provision for associate membership on the part of company employees, but these men cannot hold the fellowship. About two-thirds of the members of the conference are in consulting practice; a hundred percent of the fellows.

Mr. ROGERS. In a consulting practice, would one deal with life insurance, fraternal benefit organizations, pension plans, and so forth? One would not have a specialty in a particular field, is that correct?

Mr. MILLER. That is correct. It includes actuaries in any field of actuarial practice, but the emphasis is very heavily on pensions.

Mr. ROGERS. What is the fourth group?

Mr. MILLER. The fourth group is the Casualty Actuarial Society. This deals in property, casualty, and health insurance.

The health insurance is the only place where they all have an interest. Mr. Linder, who will speak later, is a fellow both of the casualty society and the conference, and a member of the Society of Actuaries also. But, here the emphasis is on automobile, fire insurance, liability, and these kinds.

Mr. ROGERS. The fact that a man may qualify as an actuary in the life insurance field does not necessarily mean that he has the qualifications to be an actuary on a pension plan or a fraternal plan?

Mr. MILLER. That is very true, Mr. Chairman. The situation is quite comparable to the medical or legal field. There is only one legal designation for doctor—M.D.—but as you well know, the difference between a psychiatrist, let's say, and a neurosurgeon is such that one would not operate in the other's field.

Mr. WHITENER. Are either of these four organizations incorporated under the laws of any State at present?

Mr. MILLER. The Society of Actuaries—I might say that one of its two predecessors, the Actuarial Society of America, was not incorporated, the other was. But, the Society of Actuaries is incorporated in Illinois. I don't recall with respect to the others. But, I am sure that Mr. Linder, who will speak later, will be able to.

Mr. WHITENER. Why don't we get this in the record right now?

Mr. GROVES. The conference is incorporated in Illinois, the Conference of Actuaries in Public Practices.

Mr. ROGERS. Is that the only one? For the record, would you identify yourself, please.

Mr. GROVES. W. E. Groves, president of the Conference of Actuaries in Public Practice.

Mr. ROGERS. Only one of them is incorporated and that is in the State of Illinois.

Dr. MCGILL. Two are, the Society of Actuaries, and Conference of Actuaries in Public Practice.

Mr. ROGERS. How do the others function?

Mr. DONOVAN. Congressman, they are qualified unincorporated associations.

Mr. ROGERS. When you say qualified, who has decided the qualification?

Mr. DONOVAN. For example, in the case of the Casualty Actuarial Society, which is an unincorporated association with its headquarters in New York City, there are certain qualifications that are required with respect to, for example, filing a certificate to do business with the county clerk in New York County, and also obtaining a proper exemption under Internal Revenue as a nonprofit unincorporated association.

Mr. WHITENER. May I ask this question of you gentlemen. What advantage will the Federal charter give to you that you don't have under the Illinois charter? If the academy would be organized consisting of the membership of these four organizations and such members as you might later accept, what advantage will inure to the academy by reason of the Federal charter that you would not have with an Illinois or a District of Columbia or a New York or a North Carolina or Colorado charter?

Mr. DONOVAN. It should mean, Congressman, that with this beginning—and it is only a beginning—that there will result higher national standards throughout the United States which will be recognized by all jurisdictions, and specifically by various Federal agencies. I would like to point out that among the incorporators of this Academy of Actuaries are several highly placed actuaries in the Federal Government now performing the function of an actuary and who are wholeheartedly behind this legislation.

To the best of my knowledge, there is no opposition to this, and every actuary in the United States recognizes the necessity of securing a nationally recognized professional status. This has been so apparent in recent years with the enormous growth of these pension plans and various other funds requiring actuarial computation.

I also should point out the tremendous public interest in having the statistics and other mathematical data in this field attested to by competent people. No doubt you are familiar with the fact that there have been numerous failures of small life insurance companies in the

United States during the past half dozen years with tremendous loss not only to private shareholders, but also to various public shareholders who invested in these corporations.

In many of these cases, examples would show that the figures of the company would be attested to by a man calling himself an actuary but actually lacking the prior professional qualifications.

Mr. ZELENKO. You mean an individual who is not a member of one of the four actuary organizations?

Mr. DONOVAN. That is correct.

Mr. MACGREGOR. I am most interested in what you had to say, Mr. Donovan, about the failure of small insurance companies. Also, there have been failures of some insurance companies not so small, isn't that so?

Mr. DONOVAN. In recent years it would be difficult for me to remember a large company that went under. The last that I would recall would be the Preferred Accident which went under some 15 years ago.

Mr. MACGREGOR. I was wondering if you were familiar with the failure of two insurance companies in Minnesota within the last 8 or 10 months.

Mr. DONOVAN. Yes, I am, but those would not be regarded as large companies in this industry.

Mr. MACGREGOR. Just a large loss to the shareholders and policyholders involved.

But, my question really is whether or not you know, from your professional experience and the scope of your practice, the role of any actuary in these two very serious failures within the last year?

Mr. DONOVAN. No, I would not have specific knowledge of that. I think you are aware of the fact that indictments have been returned in the courts in connection with those failures. I am sure that the grand jury that investigated the case went into this thoroughly.

To the best of my knowledge, I do not recall this specific point having been urged in that case. The failures that I was referring to actually were of small life insurance companies, and there have been many of these in the past 10 years. For some reason, about a dozen years ago, because of a phenomenal increase in the value of life insurance stocks there seemed to occur a popular notion that life insurance was a get-rich-quick form of business, and as a result you had many small life insurance companies created, especially throughout the Southwest, and many of these have gone under with disastrous results to both private shareholders and to the stockholders who were publicly solicited.

Mr. ROGERS. Was that due to the fact that as these insurance companies were organized, they were led to believe that they had a certain tax advantage, and this in turn attracted investors into the field, and then the Revenue Department pulled the rug out from under them? Was that it, or was the law changed by Congress?

Mr. DONOVAN. It was not that Internal Revenue pulled the rug out from under them, it was rather that the law was changed.

Mr. ROGERS. Somebody pulled the rug.

Mr. DONOVAN. So as to change the method of taxation. However, in my judgment it was not that specific factor that caused these failures so much as undercapitalization, failure to provide competent reserves, and these figures could be promulgated and attested by anyone deigning to describe himself as an actuary.

Mr. MACGREGOR. Mr. Whitener has referred to the standards of professional competence and excellence which, as I understand it, is one of the reasons for the enactment of this legislation. The thought occurs to me that this is exactly what you endeavor to do by blanketing into the new umbrella organization those actuaries holding the highest level of membership in the four existing organizations. That is a fair statement, is it?

Mr. DONOVAN. Yes, it is, Congressman.

Mr. MACGREGOR. Would you explain that? I notice that Dr. McGill used that language, and I was actually referring to page 9 of the statement of Dr. McGill that I have before me. Would you explain the meaning of the phrase, "blanketing into the new organization those U.S. residents holding the highest level of membership in the four existing organizations"? Is that the fellow as opposed to the associate members?

Mr. DONOVAN. Yes.

Mr. MACGREGOR. Did you blanket into the academy all fellows in the four existing actuarial groups or bodies?

Dr. MCGILL. That is essentially correct.

Mr. MACGREGOR. And, none of the associate members?

Mr. MILLER. The associate member may enroll by showing evidence of substantial actuarial practice; the reason for this is, it is quite possible for a person with a reasonably good background and the discipline to study to become an associate of the society or of the Casualty Society simply by studying and passing these examinations. He might never have had any practical experience. So, the feeling was that even though this man had learned his homework very well, he was not qualified to represent himself to the public. So, the individual who has the associate membership and wishes to enroll submits an application in which he gives his experience and qualifications, and if this meets the acceptable standards then he would be enrolled and have the same status as the fellow who was automatically enrolled.

Mr. MACGREGOR. But, do you feel, by this practice of blanketing into membership only those who are at the highest level of membership in their individual organizations, you have taken a step to increase the professional competence and stature of the members of the American Academy of Actuaries?

Mr. MILLER. We feel this sets the tone, and projecting this into the future, we envision the time when all members of the academy will be equally qualified. We recognize that there are some very competent practitioners, some of whom have not chosen to join any of these organizations, so they should not be discriminated against. The door is open to anyone to apply for membership.

Mr. MACGREGOR. Don't your bylaws provide for an ascending or an escalating scale for competence of members in the future?

Mr. MILLER. That is correct. In other words, we are aiming at standards ultimately substantially as high as the fellowship. We haven't taken it upon ourselves to tell the next generation what they should do, but we are setting this as an objective.

Meanwhile, through what you might term a "grandfather clause" we are endeavoring to admit everybody who can be admitted and given this label of membership and expected to practice in the public interest.

Mr. MACGREGOR. Are you therefore not discriminating in favor of those who may at the present time hold membership in the Academy of Actuaries against those who may come along in the future and have to meet a higher test of eligibility?

Mr. MILLER. I would say this is really the purpose of any organization like this, whether it be the board of examiners for doctors or the bar association, the purpose is to discriminate between those who are qualified and those who are not qualified.

Mr. MACGREGOR. My question went to the establishment in your proposed bylaws of ever higher standards, at the end of 4 years, at the end of 7 years, and so forth, than would exist originally. Isn't that a form of discrimination? I am not necessarily saying it is bad. If you are desirous of increasing the professional competence of this group, perhaps it is advisable in reaching that goal.

Mr. MILLER. Mr. Congressman, I would like to put it this way: That we envision a situation some 7 years hence, I think is the period, when everyone would come in at an identical level. At that point in the future there would be no discrimination at all, everybody would come in at the same standard. We have to start from here and we have people actually practicing, some of whom have the highest professional qualifications achievable and others who have let's say, minimal qualification, and we have to arrange some way to admit these people.

Mr. MACGREGOR. To protect the grandfathers?

Mr. MILLER. Yes. While aiming at an ultimate level that would be uniform for everyone, and hence not discriminating except to discriminate between the qualified and the unqualified.

Mr. McCLORY. Will the gentlemen yield to me, Mr. Whitener?

Mr. WHITENER. Yes.

Mr. McCLORY. I wanted to pursue this subject that you were inquiring about of Mr. Donovan, his statement about the substantial losses which have occurred among life insurance companies. I think that would certainly cast this subject into one of national importance in which the national welfare was involved. I would certainly be grateful to receive information as to the number of companies, the extent of the losses which have occurred, and the fact that the losses occurred by reason of the fact that actuarial information was supplied by persons who were not members of the four organizations which are referred to here.

Mr. DONOVAN. This, Congressman, is certainly a very pertinent inquiry, but I think you could appreciate that to conduct such a survey would be a pretty complicated thing. Ordinarily, in any such failures it is a combination of circumstances that have resulted in it.

I did not mean to imply, and hope that I did not, that it was solely this factor which resulted in some of these cases. I may add that with respect to whether or not actual loss to policyholders occurred depends on your definition of what's a loss. They may get their money back, for example, and I believe in that sense no policyholders have suffered loss.

Mr. McCLORY. Isn't it moreover a question of inadequacies of State regulation rather than inadequacies of local law qualifying the certified public accountant or actuary?

Mr. DONOVAN. I think it is a combination of both.

Mr. McCLODY. I would be very interested even if you only have a few examples. You appear to have some examples because you made reference to it, and I would be interested to know what these examples are that you have in mind that make this legislation important from the standpoint of the public interest against losses from erroneous, incompetent actuarial information supplied by incompetent actuaries.

Mr. DONOVAN. My recollection is, Congressman, that in the case of the Preferred Accident Insurance Co., which went into liquidation some years ago and was a very large countrywide writer in the field of third-party liability insurance, that the basic reason for that failure was the improper calculation of loss reserves, and at the time it was regarded by the New York Insurance Department as primarily due to deficient personnel in the company in their estimation of loss reserves.

Mr. Linder might have another example. This was, of course, a liability company.

Mr. McCLODY. Were these persons holding themselves out as actuaries who gave these calculations and who were not members of any one of the four of these societies?

Mr. DONOVAN. They would attest to the accuracy of the figures.

Mr. McCLODY. I don't understand that answer.

The actuaries in the Preferred Accident Insurance Co., to which you made reference, were they persons who held themselves out as actuaries but were not members of one of these four societies?

Mr. DONOVAN. Whether one of the men had the designation "vice president and actuary," Congressman, I cannot recall. Ordinarily there would be an individual in the company bearing the title of actuary, and this is true throughout the United States, and in very many cases the man is not a member of any one of these societies. As Mr. Miller—

Mr. McCLODY. I would like to know about those cases. I think it would be interesting and helpful to us.

Mr. BAILEY. May I address myself to your question briefly. For one thing, the casualty annual statement does not require the signature of an actuary. If I may get off on to what I feel is a related subject; in the records of the hearings before the Labor Department in connection with the passage of the Welfare and Pension Plans Disclosure Act there are a series of letters that were written by widows of the United Mine Workers Union. They are pitiful letters, and they are asking that something be done to get pensions and death benefits, which they were led to believe it was their right to receive. There simply wasn't sufficient money in the United Mine Workers' pension fund to pay these widows their benefits.

Recently, I reviewed some of this testimony and read some of these letters, and they are very sad. Here is a situation, I think an immediate case in point, where actuarial evaluation of the liabilities of that fund would have and ultimately did disclose the inadequacies. Now, at the time these inadequacies were developed, there was no such law as the Welfare and Pension Plans Disclosure Act. One of the reasons we have this law is because of the inadequacies in the United Mine Workers' fund and other funds. We do have this law now, and incorporated in the law is a requirement that actuarial evaluations of the funds must be submitted with the annual reports to the Labor Department. So, on the national level now there is the

necessity to provide these actuarial reports. These requirements also exist, as has been pointed out, in filings to the Treasury Department in connection with pension plans, and the claims for deductions for pension plan contributions that corporations make. Also in the filing of material with the Securities and Exchange Commission where there is to be a public interstate sale of securities of life insurance companies, actuaries must provide the actuarial data for these reports.

All of these have to be filed on a national level.

Mr. WHITENER. Professor McGill, getting back to you, these young men and young women who are in your university—Wharton School of Finance—who aspire to be actuaries, if this bill is passed, then what do they have to look forward to as far as knowing that they are going to be given an opportunity to become actuaries without encountering discriminatory treatment? You might say the lawyers and the doctors do it, but all of us who attended law school knew that we were going to have an opportunity to take an examination which would be given—most of us at least—under Government supervision, and we had every reason to think or know that we were going to be treated fairly, and that if for any reason we didn't pass the bar examination in a particular State, that if we met the residence requirements and the educational requirements we could go to some other State and get it. It seems to me you are creating an entirely different situation for those who would be members of the actuarial profession.

Dr. MCGILL. First of all, I would be the first to admit, and I do not think it is an apology—it is something to be proud of—the standards of admission to the Society of Actuaries and the Casualty Actuary Society are rigorous. Those examinations are extremely rigorous. And, the person who undertakes them must have very strong background in mathematics and statistics.

I feel that there is absolutely no discrimination within those bodies. If you pass the examination, you are admitted. That will continue to be true as in the past.

While the details of accreditation are not absolutely clear in my mind, because no one has really addressed himself to exactly how it would work out, I would think insofar as the Federal Government is concerned, that they would not permit the American Academy of Actuaries to be the only channel to accredited status. I would conceive an arrangement under which membership in the academy would virtually automatically qualify one for an accredited status, but with a safeguard intended to make it possible for a person to become accredited outside the academy. The normal procedure for achieving accredited status should be through the academy.

I agree that it is an unusual procedure when you permit—

Mr. WHITENER. Then is there any other profession in the United States which is now in the situation that you would place actuaries?

Dr. MCGILL. I know of none.

Mr. DONOVAN. May I point out, Congressman, that the best proof of how such a system would work is perhaps in the fact that there is in existence this very system in Canada in which exactly the same procedure was adopted, and to the best of my knowledge there have been no complaints by anyone in Canada with respect to the operation.

To the best of my knowledge under the proposed legislation it certainly contemplates no discrimination of any nature, and a person

can either take the examination and qualify or if he prefers, need not do so.

However, in order to carry the title of being a member of the American Academy of Actuaries, he would have to demonstrate the professional qualifications.

But, as I say, in Canada this was adopted, and so far as I know it has been an unqualified success in Canada.

Mr. WHITENER. I understand in the medical profession that they do have national examinations or a national board which a State board may or may not accept. If the State desires to, and as I understand it most, if not all do, it may accept certification from the National board. I think that presents an entirely different picture from the one we have here as far as this student of yours is concerned, professor. It seems to me he doesn't have any protection of law at all in the determination. In my State, I imagine it is true in most States, if a young man applies to take the bar examination and for some reason is denied that right, he can go into the State courts and try out the issue as to whether he is entitled to take the examination.

Now, here would there be any such safeguard?

Mr. MILLER. Congressman, could I offer a comment here?

Mr. WHITENER. Yes.

Mr. MILLER. I think I can clarify this situation. We have been talking mainly about accreditation at the Federal level and emphasizing the importance of the Internal Revenue Service and the Department of Labor which do not have, naturally, at least historically, any kind of examining facilities. Now, what we envision at the State level is something very comparable, perhaps precisely parallel to what you so described in the case of the National Board examinations for medicine.

Some of the members of the academy have talked with people at the State level, with the New York Board of Regents I believe, or the Department of Education, as to a procedure for getting State accreditation, and the mechanics of it would be very much what you have described. The State wishing to do this would pass a law saying that to be an accredited actuary or certified, whatever the level would be, one must submit to the Department of Education and pass whatever examinations are prescribed. The Department could have an examining board which could give examinations. It could also recognize the academy examinations as it does the National Board exams, either as an alternative or as the sole base. So, this is exactly what we contemplate for State accreditation. But, we feel that the urgency here is in connection with the pension plans. I can highlight that by saying that in the President's very recent report the funds are estimated at \$75 billion, and Dr. McGill tells me the latest estimate is \$80 billion. So here we have a great responsibility to the public, and we cannot look to the Internal Revenue Service to set up this kind of an accrediting operation. But, we do not present the academy with the thought that it would be the sole or that it could have the only legal power to accredit.

Mr. WHITENER. Let me ask you on the factual situation that has arisen in my State on young men that want to become lawyers. Suppose that one of Professor McGill's students desired to become a member of this academy, he submitted his application and the character investigation or the previous conduct investigation was con-

ducted. Let me give you two situations. As you pose that in one of them the young man had at age 16 been charged with temporary larceny of an automobile or in another case suppose the young man had been a member of an organization on the campus at the university of his State which somebody thought advocated the overthrow of the Government. Then the academy said, we just won't accept your application, we won't let you take the examination as the State bar did in my State in those two cases. In the case of the young legal aspirants, they went into the court, they went to the supreme court of the State with their case. Where would he go here for remedy?

Dr. MCGILL. I think he should have access to the courts, even though the academy is a private organization.

Mr. WHITENER. Do you think he would, Mr. Donovan?

Mr. DONOVAN. I wouldn't want to take the case. I think that in the provisions for full reports being made to the Congress that it should be adequate. There should be adequate safeguard. I may add to the best of my knowledge no such objections have ever been voiced with respect to admission in the present societies, and I would know of no reason this should become an issue.

Mr. WHITENER. But, you know we have witnessed changes in these examining agencies. As time goes on, including in our own profession, the examiners have become more difficult. They now require that a boy must register as a student at the time he enters law school, and a number of other things, which as a lawyer, I don't think are correct.

Real estate licensing boards and all other examining boards get more restrictive as they get older.

Dr. MCGILL. I think on that point, Mr. Bronson has something to say, but I have observed, as an outsider, that the actuarial profession, particularly the Society of Actuaries, is devoting a great deal of time and money to creating interest in the actuarial profession. For example, they cooperate with the Mathematical Association of America to encourage high school seniors with a good aptitude in mathematics to get interested in an actuarial career.

In practice, their actions would all deny that they are trying to create a monopoly so long as these young men can meet the standards that have been set up to insure professional competence.

Mr. WHITENER. We have been very much concerned on this subcommittee for the past 8 or 10 years about the dissolution provisions for federally chartered organizations. I believe—counsel says he doesn't remember if this is correct—but I believe we adopted a policy back when Mr. Forrester was with us, and Mr. Rogers, you probably remember this, better than I, that when there was a dissolution of a federally chartered organization that any assets went to the Federal Government. I note on page 11 of the bill that you say, "Upon final dissolution and liquidation of the corporation, and after the discharge or satisfaction of all outstanding obligations and liabilities, the remaining assets of the corporation shall be used by the board of directors for one or more purposes stated in section 3 of this Act", which is your provision about advancing education and so forth.

How would that work?

Mr. DONOVAN. This was because it appeared that in a learned society, which is basically what is contemplated here, that it would be in the public interest that assuming some funds remain that, for example, they be devoted to educational purposes.

Mr. WHITENER. I think I fail to make my question clear. I know that under the State laws, at least my State, there is some provision that when a corporation is dissolved that the board of directors, even though the corporation is dissolved, has certain powers that remain with them as far as winding up the corporation is concerned, but I am wondering if there is any such provision in any Federal corporate law to that effect. When you have a dissolution of a Federal corporation, wouldn't the organization be gone forever and the board of directors be without any authority?

Mr. DONOVAN. This, of course, would confer the authority on them, for example, to—

Mr. WHITENER. For how long?

Mr. DONOVAN. Presumably, they would be anxious to wind up the affairs as rapidly as possible and to devote it to educational purposes, for example, with respect to such work as Dr. McGill does now in the educational field and as is done in the University of Michigan.

Mr. WHITENER. Wouldn't the words "final dissolution" mean that the board of directors and everything connected with the corporation was gone? It says final dissolution. I don't think the law in my State says final dissolution. I think it is an interlocutory dissolution, so to speak. If you have a final dissolution of a corporation, and I ask you as a lawyer about this, don't you have an absolute termination of any function by either the board of directors or anyone else?

Mr. DONOVAN. Except that this legislation, Congressman, specifically confers that authority upon the board.

Mr. WHITENER. Let me do a little lawyer talking here. Let's say you had a board of directors. This doesn't say over what period of time this board will do these section 3 jobs. Thirty years later there is still some money that has not been used for educational or section 3 purposes. Your board of directors have all passed away and there is nobody to elect the new board—the corporation is gone. Shouldn't we provide that these assets would go to the Government or to some specific group?

Mr. DONOVAN. So far as I know, Congressman, this is not a matter with respect to which we would have any great preference. It was simply determined, and, as I recall, the question was raised on this matter in the Senate, I don't mean by that on the floor of the Senate, because it was passed unanimously in the Senate, but one of the staff members raised some such question, but after discussion it did seem appropriate that this be the disposition of any remaining assets of a learned society.

Mr. WHITENER. My memory is we had a study made of all the charters of a Federal nature, and all the money was returned to the Treasury of the United States. Isn't that true?

Mr. MATHIAS. I agree. We tried to have a standard provision in all charters of that sort.

Mr. DONOVAN. If you wish to make that change, Congressman, I am sure there will be no objection on the part of anyone we represent.

Mr. MATHIAS. You hope to be in business for a long while?

Mr. DONOVAN. Yes.

Mr. ROGERS. Mr. Jacobs?

Mr. JACOBS. Are we going to sit this afternoon, Mr. Chairman?

Mr. ROGERS. The present plan is to adjourn and come back at 2 o'clock this afternoon. I wonder if all you gentlemen can be present so we can try to get through today.

Mr. MATHIAS. Mr. Chairman, I will not be able to be here this afternoon, and I have just two questions if Mr. Jacobs would be kind enough to yield, I can get them out of the way very quickly.

Mr. ROGERS. All right, go right ahead, Mr. Mathias.

Mr. MATHIAS. The real purpose of this legislation is to establish certain benchmarks for the profession, is it not?

Mr. DONOVAN. Yes, Congressman.

Mr. MATHIAS. We have a number of examples where benchmarks of one sort or another, in varying degrees of importance to our society and our economy, are established by organizations by many names and titles which are chartered by a State. Just why is it more important to have this benchmark established by an act of Congress?

Mr. DONOVAN. I don't recall, Congressman, whether you were present when I addressed myself to this earlier.

Mr. MATHIAS. I was here, and I understand. I think you made an excellent point that we are dealing primarily with insurance which has been vested with an interstate character.

Mr. DONOVAN. With respect to these pension funds there is an overwhelming Federal interest. Also, because you have 52 separate regulatory agencies, to proceed by any other route would be impractical.

Mr. MILLER. May I offer a comment on that, Congressman Mathias?

To my mind the overriding argument here is the element of time and the tremendous interest of 25 million people in these \$80 billion of pension moneys. If there were no time element, if we could take 10 or 20 years, we could certainly accomplish our objectives on the State-by-State route. As I mentioned before, in a matter of hardly more than months, we have seen these pension funds grow by \$5 billion.

Mr. MATHIAS. I don't want to interrupt you, but perhaps I can explain more clearly what I have in mind. Let us take the world of agriculture, for example. There are a number of State chartered organizations which set benchmarks in various areas of agriculture. Registration, for instance, with one of these associations is accepted nationwide as the standard for a specific kind of commodity. The fact that it happens to be a State sponsored organization doesn't except the fact that this is the national standard, and if you want to have a particular product registered, you would have to register it through this association in accordance with its standards. Why is this a different situation than that? It doesn't have to be done in every State. Though the National XYZ Association is State chartered, it becomes the national authority and its word is accepted throughout the trade.

Mr. MILLER. We could very readily qualify for that acceptance by incorporating in any State or continuing for that matter as an unincorporated association. It is the recognition, and we feel that this recognition at the Federal level because of the pension funds is of great importance.

Mr. MATHIAS. I understand the point you make about the reference in other Federal law to the profession, but I wanted to get this one point clearly in my own mind.

Mr. ROGERS. The gentleman from New Orleans has said he has an answer to your question.

Mr. GROVES. I don't know that I have an answer, but I think that one of the answers is—I am W. E. Groves, president of the Conference of Actuaries in Public Practice in New Orleans, La.—one of the answers is that we are dealing with an emergency. Twenty-five years ago I think there were only 25 consulting actuaries in the United States. Today there are over 3,000. Some of those are competent actuaries and some are not. We were dealing at that time mostly with insurance companies and probably only one or two consulting actuaries were in the pension field. Today almost all actuaries are in the pension field. Due to the Federal legislation regarding pensions, the amount of money involved has grown from a few hundred millions in public pensions to literally billions in private pension funds. It has been a very alluring field to people, for example, insurance brokers—I recall in one case a dentist—who have found that they can put the name “actuary” after their name and will not be questioned, and they are entering this field in hundreds, perhaps in thousands, and, as a result, we see the public in danger of being defrauded. We are concerned with the public interest, we are concerned with protecting the public and not creating a monopoly insofar as actuaries are concerned.

Mr. ROGERS. Is that happening in Louisiana? That is, do dentists go out and put “actuary” after their names?

Mr. GROVES. Yes, sir, when I came to New Orleans there was a dentist who called himself an actuary and was accepted by the court as an expert witness and who put at least 8 or 10 initials after his name.

Mr. JACOBS. Would Mr. Mathias yield back to me for one question?

Mr. MATHIAS. I have asked my two questions. I thank you for letting me have the opportunity to do it.

Mr. JACOBS. I think these gentlemen made out a rather good case for the public interest in the practice of their profession. The question I have is, and I would like to ask this of Mr. Donovan, would the granting of this charter give this organization any greater ability than the American Bar Association in its field or as much ability as the American College of Surgeons in its field to sanction and discipline the practice of this profession?

Mr. DONOVAN. It would be far greater than the power possessed by the American Bar Association. It should result in an almost immediate escalation of standards. While it is true that we deliberately have not made this in any manner monopolistic and no one is compelled to join, it of course would be our expectation that after this system has been underway for a time that no one entrusted with, say, a pension fund involving some millions of dollars would deal with someone without careful inquiry into his professional qualifications if he were not a member of this organization. So, in other words, it would be the hope that there would be a natural escalation of standards throughout the United States.

Mr. JACOBS. That would be the hope, but, as a matter of fact, does not the College of Surgeons exercise a greater discipline within its profession than the American Bar Association within its profession?

Mr. DONOVAN. The American Bar Association to the best of my knowledge undertakes no disciplinary proceedings. These are the sole province of the specific State that licenses you to practice law.

As to how the profession is disciplined in the particular State, there are very many different procedures within the various States.

Mr. JACOBS. The only point I am making is somehow or another the American College of Surgeons without Federal charter does exercise great discipline within the medical profession.

Mr. DONOVAN. My recollection, Congressman, and I hasten to say I am not familiar in detail with the American College of Surgeons, is that the only manner in which they operate is through basic hospital accreditations, in that they are in a position to deny accreditation to a hospital staffed with surgeons that have not met the proper professional qualifications.

Mr. ROGERS. The committee will stand in recess until 2 o'clock. (Whereupon, at 12 noon, the subcommittee was adjourned to reconvene at 2 p.m.)

AFTERNOON SESSION

Hon. Byron G. Rogers, chairman of the subcommittee, presiding.
Present: Representatives Rogers, Whitener, and McClory.

Also present: Benjamin L. Zelenko, counsel to the subcommittee; Allan Cors, associate counsel.

Mr. ROGERS. The committee will come to order.

I would like to insert in the record a letter I received from the Resident Commissioner of the Commonwealth of Puerto Rico and also to include a copy of a letter that he directed to the chairman of the full Judiciary Committee. The substance of this letter is to see that the bill would apply to the Commonwealth of Puerto Rico as well as the other 50 States.

(The documents referred to are as follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., February 14, 1966.

Hon. BYRON G. ROGERS,
Chairman, Subcommittee No. 4,
House Committee on the Judiciary,
Washington, D.C.

DEAR MR. CHAIRMAN: I have been studying the Dirksen Senate passed bill S. 1154 and its identical companion measures H.R. 4470 and H.R. 5987 respectively sponsored by our Colleagues Hale Boggs and Edward P. Boland.

This legislation will be the object of your considerate judgement in a hearing to be held by your Subcommittee No. 4 on February 16, 1966.

I have written to our distinguished Chairman Celler concerning terminology of the bill, that in my opinion, must be amended to improve certain of its provisions and to have it properly applied to the District of Columbia, the Commonwealth of Puerto Rico, and other areas.

May I request your aid for the consideration of the proposed amendments?

Cordially yours,

SANTIAGO POLANCO-ABREU.

FEBRUARY 14, 1966.

Hon. EMANUEL CELLER,
Chairman, House Committee on the Judiciary,
Washington, D.C.

DEAR MR. CHAIRMAN: My attention has been called to the provisions of the Senate passed bill S. 1154 of Senator Everett McKinley Dirksen, identical with H.R. 4470 and H.R. 5987 respectively introduced by Congressman Hale Boggs and Edward P. Boland.

These bills, as you know, will be taken up by your Subcommittee No. 4, headed by Congressman Byron G. Rogers, on February 16, 1966.

I am in full accord with the provisions of this legislation, but the difficulty with S. 1154 and its identical companion bills is the use of unnecessary and territorial terminology in Sections 4 and 5, which should be corrected to perfect the bill and also to have it properly applied to the Commonwealth of Puerto Rico.

To this effect, I suggest the adoption of the following amendments:

In paragraph one (1) of Section 4, page 5, lines 13 and 14, strike out the words "territory or possession of the United States".

In paragraph 7 of Section 4, page 6, rewrite line 4 after the word "corporation" so as to make it read as follows: "subject to applicable Federal or State laws". Then, from the next line 5 in this same paragraph 7 strike out the words "or the District of Columbia".

In paragraph 8 of Section 4, page 6, lines 13 and 14, strike out the words "or the laws of the District of Columbia".

In Subsection (b) of Section 5, page 6, line 23, strike out the words "the various States, territories, and possessions of".

At the end of Subsection (d) of Section 5 on page 7, add a new Subsection (e) to define the following terms:

(e) As used in this Act the terms "United States" and "State" include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam and the territories and possessions of the United States.

Permit me once more Mr. Chairman to express you my profound appreciation for your proverbial sense of justice and cooperation.

Cordially yours,

SANTIAGO POLANCO-ABREU.

Mr. ROGERS. I understand that Dr. McGill had to leave.

Mr. McClory, do you have any questions?

Mr. McClory. One of my questions is with regard to the large number of pension plans. I understand there are about 50,000, as I recall the testimony, there are 50,000 pension plans. I am just wondering how many of these—

Mr. ROGERS. Excuse me, before we proceed we should identify our next witness, Mr. James Hunt, who is the Commissioner of Banking and Insurance, State of Vermont. I understand that you have a statement and we can file that for the record at this point.

(The statement referred to is as follows:)

STATEMENT BY HON. JAMES HUNT, COMMISSIONER OF BANKING AND INSURANCE, STATE OF VERMONT, CONCERNING PROPOSALS TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

Mr. Chairman and members of the Committee: My name is James Hunt of Montpelier, Vermont. I am Commissioner of Banking and Insurance of the State of Vermont. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. My education and training included a degree from Middlebury College and completion of the actuarial studies and examinations while engaged in actuarial work at the National Life Insurance Company of Vermont where I held the position of Assistant Actuary, at the time of my entry into government service.

I am pleased to appear in support of the legislation authorizing a Federal Charter for the American Academy of Actuaries. The role of the actuary in the regulation of insurance is an important one. The several insurance commissioners rely heavily on the talents of their actuaries in our efforts to enforce compliance with the insurance laws.

In the field of fire and casualty insurance, the actuaries provide the bases for determining whether rates are reasonable, fair and equitable. An essential factor in this determination is the analysis of loss and expense expectation, a job traditionally performed by actuaries.

The actuary of a casualty insurance company or rating bureau prepares filings for use in practically all states. In the auto insurance field, for example, the resulting rates touch the lives of practically every family in the state.

To protect the solvency of property and casualty companies, there is the need for competent actuarial evaluation of claims which have occurred, but which have not been finally discharged, for example, payments for life to an injured workman. Also, the actuary plays an essential part in the work of rating and advisory bureaus for Workmen's Compensation and liability insurance and other important lines.

In the field of life insurance, the actuaries are in the forefront, in analyzing the mortality tables which are from time to time adopted, and also in ascertaining the sources of distributable surpluses. In many other ways, the actuary's role is crucial in the entire regulatory effort for all types of insurance.

I believe that I speak for my fellow insurance commissioners throughout the country when I say that we share the interest and enthusiasm of the actuaries working outside the government in the establishment of the Academy. We believe that a Federal Charter for the Academy will be helpful in implementing the goals of the Academy.

The Superintendent of Insurance for the important insurance State of New York, Mr. Henry Root Stern, Jr., recently stated very well my view of the importance of this project. He observed that:

"The Federal Charter of an American Academy of Actuaries would be an historical first step toward adequate licensure to assure the public of competence on the part of actuaries. I am convinced of the necessity for standards such as those of the Society of Actuaries to become part and parcel of the requirements for actuaries who function in a sense of public disclosure."

Mr. Chairman, you have previously called to the attention of the Academy's sponsors the President's veto message on a bill to incorporate the Youth Councils on Civic Affairs, pointing out that "many of the questions posed by the President have been of concern to the House Committee on the Judiciary in recent years and do have relevancy to the legislation in question." Although the testimony of other witnesses this morning may touch on these questions sufficiently, I will comment on them at this time.

Question. Would a Federal Charter discriminate against similar and worthy organizations and possibly stifle their growth?

Answer. Only a single national organization could embrace all actuaries, regardless of their specialization, and provide a basis for legal recognition. Accordingly, we cannot foresee any occasion for the future creation of a similar, or competing, organization.

Question. Should federally chartered organizations be more carefully supervised by an agency of the Federal Government?

Answer. We are thoroughly in accord with the principle that federally chartered corporations should be adequately supervised by the Federal Government.

Question. Does Federal rather than State chartering result in difference in the legal or tax status of the corporation, and are any differences appropriate ones?

Answer. As a non-profit organization it is our understanding that the Academy would not be taxed, irrespective of the jurisdiction under which it was chartered.

In conclusion, supervisory responsibilities of state insurance departments in respect to insurance companies, rating organizations and pension and welfare funds would be strengthened by the adoption of measures requiring the appropriate accreditation of actuaries.

Apart from the Federal Government's concern with the public interest in the sound operation of pension, welfare and insurance plans of all types, our Federal Government has an interest in the actuarial profession because of its employment of actuaries in numerous departments. Also a number of advisory councils to Federal Government departments comprise or include actuarial members. A list of actuaries belonging to any of the four national actuarial bodies and in Federal employment is attached, as well as a roster of actuaries on Federal councils or boards.

The proposed legislation is, in my opinion, a measure which would benefit the citizens of this country and I earnestly urge its approval by this distinguished Committee.

It has been a pleasure to be here with you this morning, and I thank you for the privilege.

I. MEMBERS OF NATIONAL ACTUARIAL ORGANIZATIONS IN FEDERAL GOVERNMENT SERVICE, SEPTEMBER 1965

This list includes only those actuaries in Federal Government Service who belong to one or more of the four national actuarial organizations. In addition there are a number of qualified actuaries in positions involving actuarial responsibility or requiring technical proficiency, who are not members of any of these organizations.

Civil Service Commission: John P. Jones, A.S.A.
 Department of Defense: Joseph B. Glenn, F.S.A., F.C.A.S.
 Internal Revenue Service, Department of the Treasury:
 Jonathan Schwartz, A.S.A.
 Margaret A. Trevvarthen, F.C.A.P.
 Walter E. Wilcox, A.S.A.

National Institutes of Health, Department of Health, Education, and Welfare:

Daniel J. Gross, A.S.A.

Robert Kvaal, A.S.A.

Railroad Retirement Board:

James L. Cowan, A.S.A.

Abraham M. Niessen, A.S.A., F.C.A.P.

Social Security Administration, Department of Health, Education, and Welfare:

Lawrence Alpern, A.S.A.

Charles B. Baughman, A.S.A.

Lottie R. Lisle, M.C.A.

Robert J. Myers, F.S.A., F.C.A.S., F.C.A.P.

Bertram Oppal, A.S.A.

Zenas M. Sykes, F.C.A.S. (on Educational Leave)

Gordon R. Trapnell, F.S.A.

Department of the Treasury (Office of the Secretary);¹ Cedric W. Kroll, F.C.A.P.

Veterans Administration:

William A. Poissant, F.S.A.

Carl J. Singer, A.S.A.

II. MEMBERS OF GOVERNMENT ACTUARIAL BOARDS AND COMMITTEES, SEPTEMBER 1965

Board of Actuaries, Civil Service Retirement Act:

Dorrance C. Bronson, F.S.A., A.M.F.A.A.

George B. Buck, F.C.A.P.

Russell R. Reagh, F.C.A.P.

Actuarial Advisory Committee, Railroad Retirement Act:

George B. Buck, F.C.A.P.

Robert D. Holran

Walter E. Wilcox, A.S.A.

Board of Actuaries, Retired Serviceman's Family Protection Plan:

Walter Klem, F.S.A.

Cedric W. Kroll, F.C.A.P.

Robert J. Myers, F.S.A., F.C.A.S., F.C.A.P.

Actuarial Advisory Committee, Veterans Administration:

Valentine Howell, F.S.A.

Norman M. Hughes, F.S.A.

Meno T. Lake, F.S.A.

Edward A. Lew, F.S.A.

Henry F. Rood, F.S.A., F.C.A.S.

III. ACTUARIES WHO ARE MEMBERS OF OTHER COUNCILS IN THE FEDERAL GOVERNMENT

Advisory Council on Employee Welfare and Pension Benefit Plans (Under the so-called "Disclosure Act"):

Dorrance C. Bronson, F.S.A., A.M.F.A.A.

Charles A. Siegfried, F.S.A.

Howard Young, F.S.A.

Health Insurance Benefits Advisory Council (Social Security Act Amendments of 1965, new Title XVIII, Part A (re HI) and B (re SMI)—Popular name, "Medicare"): C. Manton Eddy, F.S.A.

Explanation:

A.M.F.A.A.	Active Member, Fraternal Actuarial Association.
A.S.A.	Association of the Society of Actuaries.
F.C.A.P.	Fellow of the Conference of Actuaries in Public Practice.
F.C.A.S.	Fellow of the Casualty Actuarial Society.
F.S.A.	Fellow of the Society of Actuaries.
M.C.A.	Member of the Conference of Actuaries in Public Practice.

Mr. ROGERS. As Mr. McClory asks questions, if you are in a position to answer them, please do so. After his questions, you can epitomize this statement in any way you desire.

Go right ahead, Mr. McClory.

Mr. McCLORY. As I understood the testimony earlier, one of the reasons urged for this legislation is that pension plans are interstate

¹ This position is technically the one established by Act of Congress in 1881 as "U.S. Government Actuary," still perpetuated.

in character or that the work of actuaries so frequently involves interstate transactions. Of the 50,000 pension plans, to which some reference has been made earlier, how many of these are actually interstate in character and how many are just purely local pension plans that relate to a small business of 10 or 15 or 50 employees and not any interstate corporation; do we know?

Mr. HUNT. I don't know that I know. I would say this, a great many of the smaller pension plans are insured, and there is a degree of regulation brought to bear through the insurance departments where they are insured. I would guess that a great many of the larger ones, which would be uninsured, thereby outside the regulatory function, might well transcend State lines.

Mr. McCLORY. We are not worried about the pension plans which are insured, are we, or are we?

Mr. HUNT. I would say "No."

Mr. McCLORY. The insurance companies in general have qualified actuaries, do they not?

Mr. HUNT. In general, yes.

Mr. McCLORY. Do you know some insurance companies that do not have qualified actuaries?

Mr. HUNT. A great many insurance companies have no actuaries. They use consulting actuaries. In most cases presumably they would be well qualified. However, we do accept annual statements signed by an actuary, and there is no necessity that he be a fellow of the society or any of the other three organizations.

Mr. McCLORY. But you yourself as a State administrator of an insurance department satisfy yourself, do you not, that the actuary is qualified to give the actuarial report to you, do you not?

Mr. HUNT. Truthfully, in the case of Vermont not entirely. In the case of domestic companies, yes. But again it is hard to—

Mr. McCLORY. Do you just rely on the fact that he describes himself as an actuary or do you investigate to see whether or not he is a member of a society, one of these recognized societies?

Mr. HUNT. In the instance where the company is in another State, we would presume that that State would be satisfying itself as to the actuarial qualifications.

Mr. ROGERS. If I could interrupt you there, explain to Mr. McClory how the insurance commissions of the various States work their systems. If one State approves the plan, does reciprocity exist between the States in connection with it?

Mr. HUNT. Yes, there is a degree of this reciprocity particularly with respect to 3-year examinations. However, I would guess that each State would reserve to itself the right to—

Mr. McCLORY. I haven't heard your statement, but have you had some actual experience with unqualified persons and have any losses been sustained in Vermont?

Mr. HUNT. No, not in Vermont. I should state I have been in office 6 months.

Mr. McCLORY. You don't know of any experience in Vermont?

Mr. HUNT. Not in Vermont.

Mr. McCLORY. Is there anything which this legislation would have corrected insofar as the public is concerned, insofar as public loss or detriment or liability is concerned?

Mr. HUNT. In the State of Vermont the closest situation would be a disability insurance company which is a young company and just starting. They have actuarial advice from a firm in Indiana, I believe. We assume this is a qualified firm, but we do not check it out. At the moment there is an interesting question as to how well the company is doing. They feel they are doing very well. Their actuary states they are doing very well. Their balance sheet does not so indicate. Yet they may be doing well.

Mr. McCLODY. Did you check to see whether or not they belong to any of these four societies?

Mr. HUNT. Yes, I did.

Mr. McCLODY. And they don't belong to any?

Mr. HUNT. Yes, the individual who is personally advising does belong to the Society of Actuaries.

Mr. McCLODY. So he would automatically be a member of the National Academy, would he not, under this legislation?

Mr. HUNT. That is correct.

Mr. McCLODY. Are there any organizations that you know of, of actuaries that are not included within these four societies?

Mr. HUNT. No. I am sure there are people doing actuarial work and calling themselves actuaries outside these four bodies.

Mr. McCLODY. But you don't know whether there is any other organization of actuaries other than these four who would have qualified actuaries belonging to it?

Mr. HUNT. No, sir.

Mr. McCLODY. Does anyone else know if there are any such?

Mr. MILLER. There are none that we are aware of.

Mr. McCLODY. Reference was made to the fact that we have Federal licensing of actuaries in Canada. We also have Federal licensing of chartered accountants, chartered nationally?

Mr. DONOVAN. In Canada?

Mr. McCLODY. Yes, sir.

Mr. DONOVAN. I don't know the answer to your question. I do know that in Canada there is a remarkable similarity to precisely what we are proposing here. In other words, there was Dominion legislation and yet there is individual supervision in each Province in Canada.

Mr. McCLODY. What I am getting at is there is a precedent for that in Canada in that they have chartered accountants who are licensed on a national basis. As a matter of fact, in England everything is done on a national basis. There isn't any state regulatory local regulation of professions like there is in this country?

Mr. DONOVAN. That is correct. The only reason I mentioned it, Congressman, was that there are many specters that could be conjured up with respect to what might happen under this legislation, and I was simply explaining that under similar legislation in Canada none of these contingencies has ever occurred.

Mr. McCLODY. Would it be the idea of this academy that there would be actuarial standards which members of the academy would be required to adopt and apply?

Mr. MILLER. We have, as has been filed here, a code of professional conduct. That is a set of standards. There would be no standards in the sense that everyone would use the same mortality table or the same interest assumption. This we regard to be a matter within the

judgment of the individual actuary. But the code which you have in your hands there relates to ethical practice and complete disclosure and avoidance of conflict of interest and such matters of professional integrity as all professional men should be governed by.

Mr. McCLORY. Yes, but isn't the public interest and the possibility of substantial public loss going to be determined on the basis of the actuarial standards, the computations that are made by the actuary or that are incorrectly made if he is not qualified?

Mr. MILLER. Yes, this is really the issue here, that we need some system of accreditation and accountability now lacking. We cannot stipulate precise methods and assumptions. The safety of these funds rests in the competence of the actuary, and that is why we put such a stress on our education and our examination system.

Mr. McCLORY. Isn't there a double standard today in that private pension funds are required to be actuarially sound, I guess you would say, whereas public pension programs cover a wide variety of standards insofar as actuarial practice and standards are concerned?

Mr. MILLER. I might, Congressman McClory, first distinguish between the private and the public. There is one essential difference in the public plan, and that is the compulsion involved and the tax power. Most actuaries do not feel that the public plans need quite the same type of funding that the private plans do.

As to there being minimum solvency standards for the private plans, this is true to the extent that they are insured by insurance companies, because there are minimum reserve requirements. But there are no such requirements in the self-administered or trustee plans, and there are actually plans which are anywhere from completely unfunded to very inadequately unfunded. The only regulation there is of the private trustee plans, the ones about which we are talking for the most part, is with respect to the IRS and the tax deductibility. The objective of the Internal Revenue Service historically and to date is that they be not overfunded. There is no regulation as to underfunding except somewhat indirectly. In filing a new plan, it is necessary to disclose the cost estimate and produce a balance sheet.

Mr. McCLORY. You wouldn't contemplate any authority in the National Academy of Actuaries to penalize or censure any actuary who participated in an underfunded public plan or anything like that, would you?

Mr. MILLER. Not if there was complete disclosure. If he said this plan is adequately funded, knowing that it was not, obviously, that would be improper. But if he said I believe this plan should have so many million dollars of assets or it should contribute so much per year and disclose that opinion, the fact that it didn't have that it seems to me to be no reflection on this actuary. It is a matter of making the computations competently and making full disclosure.

Mr. McCLORY. Has the Labor Department or the Treasury Department or anyone from either Labor or Treasury at any time communicated with any of your societies urging this legislation or calling to your attention any mistakes or misrepresentations or incompetency with regard to work of actuaries in connection with federally approved pension plans?

Mr. MILLER. Not to my knowledge, Mr. McClory. There have been some informal discussions I believe with representatives of

Labor and Treasury and the members of the actuarial profession in which our program for the Academy was discussed. Although I did not participate in any of these, I understand that the attitude was constructive. The Government officials with whom these conversations took place commended the approach, but they didn't take any official steps toward encouraging it. There have been conversations.

Mr. McCLODY. There isn't any communication which has been filed or which is going to be filed with this committee from any Federal agency urging this legislation?

Mr. ZELENKO. Mr. Chairman, if I may answer the question? We requested agency reports on this legislation from the Department of Justice, the Bureau of the Budget, the Department of Health, Education, and Welfare, the Railroad Retirement Board, Veterans' Administration, Civil Service Commission, and the Department of Labor, and the committee is in receipt of those agency reports. It would be fair to say in characterizing the conclusions of those reports that the Railroad Retirement Board on the one hand supports the enactment of the proposed legislation, while other agencies have no objection or no comment. Moreover, none of the agencies contacted by the committee have indicated an objection.

Further, it may be appropriate to read what the Treasury Department said in its report:

The proposed legislation is not of primary interest to this Department, and the Department has no comment to make with respect to its general merits.

Mr. McCLODY. This may have been asked. I don't know. What efforts, if any, have been made to establish licensing procedures or actuarial standards in any of the States?

Mr. MILLER. The whole development of this academy program I would say emanated from one such effort. It was mentioned this morning that some years ago, it may go back as long as 8 or 10 years, the Society of Actuaries appointed a committee to investigate licensing or accreditation or certification. This committee made extensive studies. They looked into the history of the certification of CPA's, licensure of doctors and lawyers, and so forth. They then went to talk to some of the people in the State governments, and the immediate reaction—the first question that came up to these actuaries who were representing just the society—this was before the formation of the idea of the academy—the immediate question was, Does your Society of Actuaries represent all actuaries? And the answer is, of course, "No." There is the Casualty Actuarial Society, there is the Conference of Actuaries, and there is the Fraternal Actuarial Association. This Government official said, "We cannot do anything for you. No legislature is going to comprise one organization that doesn't recognize the entire profession."

Subsequently, the committee considered this problem, and it was from this effort to make some progress at the level of one State that the idea of the academy as a comprehensive body encompassing all fields of actuarial practice, just as the M.D. covers the broad span of medical disciplines, that the organization of the academy was decided upon as the best means. We felt that before we could go back to this State or any other State and talk about certification that we had to have an instrumentality that we could point to as a means of serving the governmental functions, something, as was mentioned, this morn-

ing, such as the National Boards of Examiners and the medical fraternity.

Mr. DONOVAN. Could I supplement that, Congressman, if I may. It is our belief, and I am not sure that this point was enunciated quite so precisely this morning, it is our belief that congressional recognition of this problem and congressional support of this program will be the most effective spur to State implementation in the entire field.

In other words, without in any manner interfering with the present system of State regulation and taxation of the business of insurance, congressional recognition of the existence of this problem on a national level in this field will be the most effective way in enabling us State by State to strengthen the proper protection of the public.

Mr. McCLORY. In other words, it is your view that we are going to have really double qualifying or double licensing of actuaries in that they will be licensed or qualified or required to be members of the National Academy of Actuaries and in addition to that to be licensed in the various States where the individual actuary operates?

Mr. DONOVAN. This very probably will be the ultimate result. But meanwhile, Congressman, it surely will result in any State scrutinizing most carefully any documents that are submitted by someone describing himself as an actuary but unable to say he is a member of this academy.

Mr. McCLORY. Don't you feel that the passage of this legislation will constitute a preempting of the profession of actuaries in the Federal Government?

Mr. DONOVAN. In no wise.

Mr. MILLER. I would like, if I may, to explain the precise procedures that we envisage here. Of course, it is going to be up to each State to enact whatever legislation or regulation it chooses to, if any. But the general mechanics would be that the academy would serve the function of a national board of examiners, let's say; not exclusively, if a State wants to give its own examinations, obviously, that is its privilege. They could be more severe or less severe than the academy's requirements. But two approaches would be available at the State level. One would be a complete system of certification or accreditation or whatever was chosen wherein the State would legislate certain examination procedures and might also accept or empower the examining board or the accrediting body to use the academy examination as it would a national board. This could be by legislation or perhaps in some cases an insurance commissioner by administrative order or regulation could say we will no longer accept valuations except from an accredited actuary. Then at the Federal level, as I understand it, I am not familiar with all the legal aspects here, but would anticipate that some of the Federal agencies might issue administrative orders or regulations which would state who could sign such and such documents as an actuary. We don't see that there is any dual regulation here. The States would be controlling this thing within their province. The Federal agencies would be controlling with respect to their area of jurisdiction. In either case the American Academy could be available to them as an examining, a qualifying instrumentality, but the State would not be delegating this. It would simply be, so long as it cared to and felt that the standards were proper, accepting the academy membership as meaning some kind of a badge of qualification.

Mr. McCLODY. I notice in the bylaws an application has to be subscribed to by two members of the academy. Isn't it possible that an applicant might be fully qualified by reason of education and experience and yet at the same time he would be dependent upon getting two members to sign his application in order to even be considered for membership in the academy? What do you think about that?

Mr. MILLER. This is a provision that is traditional in our profession. I recall when I first attempted to take actuarial exams nearly 40 years ago facing this, even though at the time I didn't know a single actuary I had no difficulty getting two subscribers, one through a college professor and one through another contact. We have always had this. I have never heard of anyone having the door closed on him by his inability to get these two endorsers.

Mr. McCLODY. We had to eliminate that from the plumbers' licensing law in Illinois. They were excluding people from becoming plumbers because of the refusal of master plumbers to sign applications. I think we have the same sort of situation regarding morticians and funeral directors. I think in both instances the Illinois Supreme Court has thrown out those requirements.

Mr. MILLER. I would say we put this in primarily because this is something we had all grown up with and we felt from our experience in these other organizations that this was a natural and proper thing to do. Personally, and I can't, of course, speak for the academy without having discussed this, I would say in my own opinion this is not an insuperable problem. It isn't basic to our objective that we have this requirement. Frankly, I think we could drop it and serve the objectives that we are striving for just as well.

Mr. McCLODY. I will just make one more statement, and that is I would be much more impressed and very much more convinced as to the need for this legislation if there was some testimony or there were some examples, some supplementary material which indicated losses to individuals resulting from the nonlicensing or lack of standards which would be overcome if we have this federally chartered national academy of actuaries.

Mr. MILLER. May I make one comment on this, Congressman McCloDY: In many professions an error or oversight of the practitioner shows up very promptly. In the actuarial profession this is not true. Someone has said people do not grow old suddenly, meaning if an actuary undervalues the cost of a plan or underprices it because he assumes, to oversimplify it, that people will have an average lifetime after retirement of 10 years instead of 20 years, it will be more than 10 years before this error shows up. There may be errors that have been made over the last 10 or even the last 20 years that have not yet manifested themselves.

The other comment I would like to make is what we are trying to do here is to lock the barn while the horse is still there.

Mr. DONOVAN. I think, Congressman, if I may add to that, that this is the precise note that we would like to emphasize with you gentlemen.

In other words, that with the increasing number of billions of dollars being poured into these pension plans, we would like to have a constructive program adopted right now rather than wait for some such debacle which in turn could only do grave damage to the entire profession of actuaries.

Mr. McCLODY. Are you convinced that this legislation would not lock the door or limit opportunities of qualified young people for careers as actuaries that they might otherwise want to pursue?

Mr. DONOVAN. Very much to the contrary, Congressman. I would say this kind of professional recognition by the Congress will stimulate even greater numbers of young people to come into what is a growing profession and is vitally needed in the economy in compliance with the Federal laws.

Mr. WHITENER. Mr. Chairman, may I ask a question?

Mr. ROGERS. Mr. Whitener.

Mr. WHITENER. Somewhat relevant to Mr. McClory's question, under your proposed bylaws you provide for dues payments as may be established by the board. Once a man or woman has taken the examinations and has gotten on the roles of the academy and is a fully qualified actuary, if that person under your proposal does not pay his dues to this nongovernmental organization, does he or she then cease to be an accredited, if we can use that word, actuary? Is that what this would do? You say in your bylaws the only way he can get out of paying dues is by becoming totally disabled or by reaching the age of 65.

Mr. DONOVAN. Surely provision for sound financing of the organization by having small dues chargeable to each member is preferable to, say, our asking for a congressional appropriation to subsidize the organization.

Mr. WHITENER. You are asking for us to do something that no other profession has had done for it. I imagine you have the same thing in New York. We have what we call the North Carolina Bar, Inc., an integrated bar, which is a creature of statute.

Mr. DONOVAN. We don't have that, Congressman.

Mr. WHITENER. In order to remain in good standing as a lawyer in our State, we must pay the \$6 a year in dues——

Mr. ROGERS. Union dues.

Mr. WHITENER (continuing). And we must also pay a privilege license to the revenue commission. I have no faults to find with that, because the North Carolina Bar, Inc., is a creature of the State and is a part of the government of the State, and if I don't do what my government requires, I don't have any right to complain. But in this situation you are asking us to create an academy here and say that this will provide the indicia of qualification for all times of every individual who is accepted by you but only so long as he pays dues.

Mr. DONOVAN. Congressman, Mr. Miller explains to me that the dues for the moment are \$10 per annum.

Mr. WHITENER. I think with 1 cent per annum we would have the same principle.

Mr. MILLER. May I offer a comment here, Congressman Whitener? As we have tried to bring out, we are not here seeking any of the functions that are properly those of Government.

Mr. WHITENER. I am not criticizing your motives at all.

Mr. MILLER. I understand that, sir. It would seem to me, and again I am speaking as a complete layman where legal and legislative questions are involved, but it would seem to me that this would be strictly up to the Government. For example, the State of North Carolina could recognize membership in the academy in one of two

ways, as a basis of obtaining accreditation, and secondly as a basis of maintaining accreditation. Is there any reason why an actuary could not become accredited to practice and file certificates in North Carolina by being a member of the academy and under the State law or regulation retain that accreditation until the State, not the academy, but the State for some reason terminates it? It would seem to me, I think your point is certainly a very—

Mr. WHITENER. Let's go a little further. Suppose that this bill becomes the law and it does exactly what you gentlemen would like to see done. The basic thing that you would like to see done is that a standard is set—something that a Government agency or an insurance company could reach out to when a man signs his name, actuary, member of the Academy of Actuaries, like the architects do. I think that's fine.

The next step is that we will pass a bill here in Congress or they will pass one in the State legislature with reference to insurance companies or pension funds, or whatever it may be, and say in the legislation that certain reports if certified to by a member of the American Academy of Actuaries shall be sufficient. That in effect would exclude any other actuary having his certification accepted. So you would have the Congress and the legislatures actually requiring that somebody pay dues to a private organization before their certification is approved.

Mr. DONOVAN. I feel confident, Congressman, that we can give you assurance that the academy will never ask for such legislation, either in Congress or in any State, because it would lead to exactly the results that you predict.

It may interest you that we do not have in New York an integrated bar, and yet there are rather interesting similarities between the New York State Bar Association and what we are seeking here. The New York State Bar Association, although a private organization and, of course, requiring dues from its members, nevertheless has statutory recognition in New York State. In a little known but very important respect the executive committee of the New York State Bar Association, of which I happen to be a member, has the power to convene the court on the judiciary in New York State. In other words, the court on the judiciary, which is only called to remove a judge from office or otherwise deal with a judicial matter, convenes under the laws of New York State, upon the demand of the executive committee of the New York Bar Association. So, even though it is a private organization, it nevertheless does have certain recognized statutory functions.

Mr. WHITENER. From what you gentlemen say there is a shortage of qualified actuaries today.

Mr. DONOVAN. Yes.

Mr. WHITENER. If this becomes law, then won't those who are certified by this academy then be able to walk with a pretty heavy foot? Suppose some insurance company is having difficulty finding this short supply commodity, an actuary, won't it in effect put a cloud on a lot of perfectly sound insurance companies and pension plans who are not able to get these certified actuaries who may be able to get equally qualified men who have not—

Mr. DONOVAN. There is not that great a shortage, Congressman; and the establishment of this academy should be a tremendous stimulus to young people to go into the growing actuarial profession.

Mr. WHITENER. May I ask, I am sorry to have taken so much time, I have been interested in the educational field. Have you been paying into an established school to finance a certain amount of scholarships or how do you go about your scholarships?

Mr. MILLER. I think it is necessary to start with the fact that there are only about 3,000 actuaries in the country. I have to say "about" because, as we explained, there is no real definition of actuary, and this 3,000 includes about 600 people who do not belong to any of these 4 organizations but who do represent themselves to be actuaries. The number of new actuaries, that is, those completing their fellowship in one or more of these organizations, is slightly over 100 a year, and this is just a little more than the average graduating class of a legal or a medical school. So we have capacity here, let's say, to fill with students one major university in actuarial science.

Obviously, it isn't feasible for everyone who wants to become an actuary to go to one place. So while there are a number of excellent colleges, like the University of Michigan, which have had for many years actuarial courses, these carry the actuary perhaps only half way through the course of study. Beyond that he takes a prescribed curriculum and studies on his own or with a group of his fellow workers, and once or twice a year sits for an examination given nationally by the society. So we have sort of a do-it-yourself educational program, one I might say of which we are very proud, because we have out of 1,400 fellows in the society (and the same picture holds in the Casualty Society), we have over a hundred of our fellow members participating in this program and really working very hard at it.

In addition to this, as was mentioned this morning, we have for a number of years, the Society of Actuaries, and I believe the Casualty Society, too, have been subsidizing to the extent of several thousand dollars a year a system of high school mathematical tests countrywide by the Mathematical Association. We do this to bring to the attention of college students that there is such a thing as the actuarial profession and bring to the attention of the actuarial profession a great many mathematicians. In my own company, and a great many others do it, we seek out these youngsters while they are still in high school, and offer them summer work where we can do a little actuarial work and get a little experience. The society through its dues structure and through the volunteer efforts of more than a hundred fellows provides this educational system.

Many companies have their own subsidies, give study time. We have prizes given for the best examination results at the undergraduate level and seven or eight prizes given each year. We have at considerable expense developed a brochure to publicize the work of the actuary and the opportunity of the actuarial profession. We have worked very closely with the educational testing service in Princeton, which conducts the college education entrance exams. They have helped us with our curriculum and they administer the basic mathematics tests. In every way we can think of, we have tried to encourage the entry into the profession and the successful completion of the examination. So all the efforts have been to increase the number of actuaries, and, as Mr. Donovan has said, we feel that the academy by uniting all actuaries in a single organization should enhance this purpose.

Mr. ROGERS. At this point I see that our next witness is Mr. Dorrance C. Bronson. I assume he is present. And the other witness is Mr. Joseph Linder.

Mr. Linder and Mr. Bronson, come forward and sit at the witness table.

We will file the statements of the two gentlemen for the record.

We will file Mr. Linder's statement first, and then follow it with the statement made by Mr. Bronson.

(The statements referred to are as follows:)

STATEMENT BY JOSEPH LINDER, CONSULTING ACTUARY, CONCERNING PROPOSALS
TO INCORPORATE THE AMERICAN ACADEMY OF ACTUARIES

Mr. Chairman and members of the Committee: My name is Joseph Linder. I reside at 25 Roosevelt Terrace, Bayonne, New Jersey. My office is at 200 Park Avenue, New York, New York, from which I conduct my practice as a Consulting Actuary, chiefly in the property and casualty field.

I was graduated from the University of Michigan in 1922 with a bachelor's degree, majoring in actuarial science. From 1922 to 1924, I was assistant actuary for a large casualty stock insurance carrier and from then on, except for a brief period as an officer of a mutual casualty insurance carrier, I have been engaged in professional work. I am a Fellow of the Casualty Actuarial Society, an Associate of the Society of Actuaries, and a Fellow of the Conference of Actuaries in Public Practice. I am a past Vice President of the Casualty Actuarial Society and have served on various committees of that organization in addition to contributing various articles which have appeared in the Proceedings of the Society. Over the years my services have been made available to various governmental organizations, both at the Federal and state level. I have testified on rate cases and other matters for insurance departments and insurance organizations.

It has long been my feeling that what is required today is some kind of a national organization for the purpose of erecting and enforcing standards of actuarial practice for the protection of the insuring public, and of the beneficiaries of pension and welfare plans.

So far as my own specialty is concerned, this has become increasingly important due to the complexity of the insurance business which so vitally affects the economic life of the country. American industry simply cannot function without protection against the economic impact of huge losses which an individual corporation, regardless of size, cannot meet. Yet, when we combine the hazard to one corporation with that of others—in effect a pooling operation—we do find that all can pay their proportionate share without jeopardizing the financial safety of the individual contributor. This is essentially the insurance principle.

To accomplish this pooling and to pay for the expense of operating the pool, we need some type of insurance organization, whether it be a stock or mutual company or a reciprocal exchange. It has long been the philosophy in our country that this insurance operation affects the public interest, a philosophy with which I heartily agree. Accordingly, there has grown up a regulatory and supervisory mechanism. While we may argue as to how far this mechanism shall go, I do not think that any of us question the need for it.

Over the years, particularly due to technological progress, the insurance industry has become increasingly complex and requires highly competent technicians. The property-casualty actuary is such a technician and must be a person of training to cope with the highly technical matters involved.

While the sale, service, administration and supervision of insurance is organized on a state or local basis, the technical aspects—the actuary's province—are the same from coast to coast, being based on the theory of risk and probabilities. Specifically, I have encountered identical problems regardless of the geographic location of the client. My work has been extremely varied and has dealt with such matters as rates, both at governmental and company level, and solvency of insurers, again at both levels.

Some of the essential supervisory and regulatory agencies operate at the Federal level. Here we might mention the Internal Revenue Service, the Department of Labor (in connection with the Welfare and Pension Plans Disclosure Act), and the Securities and Exchange Commission.

The explosive growth of pension funds has, as other witnesses have mentioned, placed upon the actuarial profession a responsibility of great magnitude. The

President's Committee Report contains the following recommendation, a recommendation with which we concur:

"(3) The funding process of every qualified plan should be certified at the inception of the plan and periodically thereafter (at least every three years) by an actuary with acceptable professional qualifications."

This brings us to the fundamental issue before us, namely, that to strengthen the security of the pension expectations of about 25 million workers for whom accumulated reserves of more than \$80 billion are held by corporate pension funds and other private retirement and welfare programs, there should be an adequate mechanism to make it possible for a supervisory or regulatory agency to determine whether a particular actuary's professional qualifications are acceptable. This is a national problem that has grown to large dimensions. Only by action at the Federal level and at this time can the problem be met with maximum effectiveness and with minimum delay. The size of these funds and the number of people involved create an element of urgency.

The American Academy of Actuaries through its by-laws provides for self-regulation of the profession. Governmental recognition of the Academy would add an important measure of accountability for the further protection of the public interest.

As pointed out by Superintendent Stern of the New York Insurance Department, there should be "standards such as those of the Society of Actuaries to become part and parcel of the requirements for actuaries who function in a sense of public disclosure."

The national interest in actuarial practice is further evidenced by the fact that at least ten Federal Departments or Agencies employ actuaries, that there are official Actuarial Councils or Boards serving under the Department of Labor, the Department of Health, Education and Welfare, the Civil Service Retirement System, and the Veterans Administration. The important involvement of actuaries in the administration of the vast social security system, now greatly broadened through the introduction of Medicare, has greatly increased Government's reliance on the services and counsel of competent actuaries.

It should also be noted that many of the actuarial consulting firms operate in a number of states, serve corporations which operate on a national basis, and labor unions, many of which are also national in membership and in the scope of their pension and welfare programs. The Federal Government imposes uniform national standards in its regulation with respect to pension funds and it therefore seems highly desirable that the accrediting agency for actuaries be recognized on a national basis.

Because of its character and purpose, we can see no reason for any similar organization ever to seek a Federal charter from Congress. The American Academy of Actuaries was organized to represent all actuaries in the United States regardless of the field of their activity. Accordingly, there can be no element of competition with or discrimination against any other actuarial organizations. We therefore urge favorable action at this session.

We respectfully urge your favorable action on this legislation as a measure of such importance to the security of pension expectations and other welfare benefits that immediate approval would be clearly in the public interest.

For myself and my colleagues who have appeared here, may I express our great appreciation to the Chairman and the members of the Committee for the opportunity to present our statements.

STATEMENT OF DORRANCE C. BRONSON, CONSULTING ACTUARY,
WASHINGTON, D.C.

Mr. Chairman and gentlemen: My name is Dorrance C. Bronson; I reside in Bethesda, Maryland, with an office in Washington, D.C. As for my background, education, employment history and professional relationships, the following is a very brief summary thereof:

Employment: Presently self-employed—an independent consulting actuary of some 25 years standing in the pension and employee benefit fields—retired 7/1/65 from *salaried* duties with The Wyatt Company, nationally known firm of consulting actuaries. Prior to latest private employment I was the Assistant Actuary under the Social Security Board (as then called) during the Act's formative years, 1938-1944. My experience before said government position was with the Travelers Insurance Company (Hartford, Conn.). As Assistant Actuary (Life Department) applied actuarial science to various theoretical and practical problems of group life and disability risks and pension coverages.

Education: After pre-college schooling in Hartford, Connecticut, attended the University of Michigan, concentrating, during the latter part, on the special actuarial courses available there. After graduation (A.B.), for a period of several years (concurrently with insurance company work) studied to complete the series of actuarial society examinations, and attained Fellowship status in 1930.

Other Professional Items: Associate Member, British Institute of Actuaries; Member, U.S. Fraternal Actuarial Society; Member, International Congress of Actuaries. Papers accepted for most of them; writings on pension and benefit topics for books and other publications (e.g. *Britannica*) outside of the strictly actuarial bodies. Passing by various previous special assignments, public and private, two current ones are: (1) the member representing the actuarial profession on the Advisory Council appointed by the Secretary of Labor pursuant to Sec. 14, Welfare and Pension Plans Disclosure Act, and (2) one of three-member Board of Actuaries for the civil service retirement program, which Board reviews its operations, makes cost studies and projections, and reports annually to the Congress (via the Civil Service Commission) on its actuarial status, with authority to make financing and protective recommendations for changes, all pursuant to Sec. 16(g) of the Civil Service Retirement Act.

My statement will treat briefly with the items indicated by the topical heading I have assigned to it, as follows:

"The Actuarial Profession—History to Date—Its Current Needs for Legal Recognition, for Definition Assuring Competence and for Procedures of Accreditation as to Members so Defined."

It is the last portion of the above heading which has generated H.R. 4470 and which has impelled the U.S. actuarial profession and others close to the functions and responsibilities of actuaries, to seek riddance of the qualified actuary's current legal anonymity. The instant Bill would provide the springboard toward a solution for meeting the "current needs" cited in the topical heading above, by guidance to actuarial services of a higher average degree of competence and continuity, for the protection of employees, pensioners, beneficiaries, policyholders and the U.S. public generally, than could obtain under the present heterogeneous and uncontrolled use of the designation "actuary." But before pursuing such a solution further, I should give some history on the actuarial profession.

Dim Past-Beginnings: The term "actuarius," in Roman times, meant a recorder ("swift scribe") for the Roman Senate (no Roman "House" is mentioned). Later, "actuary" came to mean a "recorder" at certain continental Royal or legal Courts. Then, much later, September 27, 1762, the first documents of organization were executed for a formal life assurance company granted rights by the Crown to proceed in the business of effecting life insurance policies for, or in respect of, individual persons. (British Co.)

This oldest modern-type life insurance company was (by its traditional short name) the "Old Equitable" (London), still extant. That same year, said company adopted an official position designated "Actuary", but for some years the term did not mean a position entailing mathematical operations for determining premiums, reserves, etc. but, rather, a sort of executive "man-of-all-work" or a "trouble-shooter" for the company.¹ The position of Actuary was adopted elsewhere also and gradually increased in specialization to the point of having responsibility for mathematical analyses or all kinds pertinent to forms of insurance, and other arrangements for risk bearing, with the objective of financial protection of natural persons, corporations, associations, public bodies, per se, or their operations, etc., against almost any hazard—be its origin human, a sport of nature, supernatural or divine.

Before leaving the Old Equitable, it seems quite apropos and germane to observe that both the company and its designated appointive positions—to-wit: Directors, Trustees and Actuary (sic)—were legally recognized specifically by the terms of the aforesaid grant of a Royal Charter of Incorporation.²

¹ Pioneers were exploring the truly actuarial field, however, long before the term "actuary" (in the odd sense given it by the "Old Equitable," originated). For example, in 1662, John Graunt had sound basic ideas for mortality tables; another was in 1693 when Edmund Halley (of comet fame) examined means of valuing a life annuity. Then, before its formal organization, the "Old Equitable" had the invaluable help of one James Dodson in numerous calculations and dissertations of true actuarial pioneering, while a few years after said company's formation, one Richard Price (a friend of Ben Franklin's and of many Americans of the period) furnished great assistance to the company's then nominal "actuary" under that term's initial odd usage.

² The brief references which I have made to this early life insurance company, the full name of which, as used in the original documents and Royal Charter, was "Society for Equitable Assurances on Lives and Survivorships", were drawn from a history of the company in a recent volume having the primary title of merely "Equitable Assurances", by M. E. Ogborn, a British actuary, and published about concurrently with the 200th anniversary of the company's founding and its Royal Charter.

Many decades later (but a "first" from the standpoint of our modern professional societies) the qualified actuaries in Scotland became legally recognized as a profession by a Royal Charter being granted in 1868 to their society which had the name of "The Faculty of Actuaries." Quoting from said charter, it is stated as follows: "That, in addition to the requirements of Life Assurance Institutions, the profession of Actuary is largely called into requisition, in the same manner as that of Advocate or Barrister, in advising and directing the public in regard to a great variety of pecuniary interests."

In England, legal recognition for the actuarial profession was delayed from 1848 by disagreements between two groups of actuaries, but this was finally resolved in 1884 and the Bill for a Royal Charter was enacted.

Thus these mid-19th Century Royal Charters of incorporation conveyed legal status to the country's actuarial profession (a profession which required comprehensive written examinations to establish qualification of new members and which supplemented competence with a "code" of professional conduct). The Charters (here, and for the Scottish actuaries, *supra*) conferring such legal status, have proved to be instruments for constructive public service by the profession and, over the eight or more decades of their existence, have not—as to the Charters, *per se*—created any opposition group nor been the object or cause of either public compliant or schism within the profession, as far as I know. Utilizing the convenience of legal status, any actuarial functions stipulated by statute or derivative regulations, or actions which obviously affect the public interest whether of public or private source—must, as a matter of course, over there, be performed or certified by such legally qualified actuaries.

In Canada, the actuarial profession, *per se*, is probably older than in the U.S. (described later). Also, the Canadian public, well back in the 19th Century, came to know of the profession; they were small in population, well-versed in life insurance increasingly since 1847 (1st company), and oriented to long-used British terms such as "actuary". Probably these are partly responsible for the lack of legal recognition and formal definition (or means thereof) for the term "qualified actuary."

A second contributing cause for said lack was the blurring of jurisdiction in the concurrent, but different, attitudes and functions of Dominion and Province (N.B., term "Dominion" now superseded by term "Federal"). Furthermore,, whatever the early relationships under this two-pronged legislating arrangement the respective views have changed considerably from time to time over the decades.

The above capsule background may explain why, over the many decades of actuarial activity, up to last year, 1965, Canadian law—federal or provincial—did not recognize the profession of "actuary" by any *general* piece of legislation. Certain statutes of each jurisdiction, however, have required that specified actions, reports or certificates be prepared by a Fellow of a—usually stipulated—actuarial organization of national repute, British, Scottish or of the U.S.

The same accelerated growth in insurance, annuities, pensions, welfare programs, health benefits (cash or services), plans for the self-employed, etc., has occurred in Canada that we have witnessed in the U.S.; most of all these plans—insured or not insured—obtained (or should have obtained) an actuarial advisor both for initial construction and launching of plans and for periodic reviews and/or cost evaluations thereafter. Because of this great growth in coverage, amount of benefits and types of protection, a group comprised of most of the Canadian actuaries of recognized competence gave intensive study to the possible routes available in securing a legal status for the profession. The consensus was that a strictly Canadian organization was needed, one having sufficient scope and vision to encompass, initially, all competent persons (i) who had evidenced their qualifications by mastering the long series of examinations of one or more of the approved actuarial societies, or (ii) who could claim, subject to careful scrutiny, a long period (10, 15 or 20 years) of experience devoted to actuarial work of a type which would be useful for insurance work or in public practice for one or more of the various benefit programs.

These actuaries became convinced that an inclusive organization (such as just mentioned) should be established by law at the federal level. It would then be found constructively useful for various purposes, including that of being used as a precedent, with frequent references thereto in statutes or regulations—federal or provincial. It was urged that action for federal recognition of the profession be pursued by strongly endorsing the Bill to incorporate a defined group of present and future qualified actuaries as the "Canadian Institute of Actuaries", the name recommended for the new organization.

The reaction of the Parliament of Canada on the Bill was favorable and apparently expeditious. After only a relatively short span since the study by the very wide group of actuaries had been completed, the incorporation was effected by the Parliament of Canada, urged on, no doubt, by the exigencies of today's escalated needs for protection; said effectuation was dated in March, 1965. Thus, at long last, the profession in Canada first was looked at; second was seen, and third was given the coveted Parliamentary bow of recognition.

I have never thought that a person, company or country should ape another of like ilk either as outright mimicry of "one's betters," or for trivial reasons, or in expecting "greener pastures" by so doing. In thinking about Canada and this actuarial matter, however, something solid *does* seem to have been accomplished as a result of this very recent experience up there; and, furthermore, the parallelism of their antecedent situation, and ours as it stands today, strikes me with trenchant effect. The resultant potentialities of legislative action here, similar to that effected in Canada, would, I believe, be real and constructive for our citizens; a tool is furnished, it will be used—for employees, pensioners, beneficiaries, etc. (e.g., see the last for Canada in the next paragraph). I submit these thoughts to the Subcommittee; I think real advantages lie waiting within the covers of this Bill, H.R. 4470.

Let me cover this rather long section on Canada with an example of the use and advantages of the new status of Canadian actuaries. To the Province of Ontario the newly incorporated Institute was almost instantaneously, with its birth, put to work for constructive purposes as viewed by Ontario. The said province had rather recently adopted legislation for which regulations were about completed and its operations underway or, as to some, nearly so. This legislation had to do with certain aspects of private pension plans covering residents of Ontario. The province had been struggling with the matter of just what attainments and/or characteristics delimit the actuarial profession and just how a qualified actuary should be defined under envisioned functions of performing certain cost valuations and certifications called for by the quite new Ontario pension law. Suddenly, in March 1965, the Parliament of Canada granted incorporation to the new Institute of Actuaries. This seemed to be custom-built for Ontario's purposes and by July 1965, only some three months after the Institute was put into effect, Ontario had enacted amendments to its statutes and/or derivative regulations, stipulating that any person practicing in an actuarial capacity for purposes connected with its "Pension Benefits Act, 1965" must be a Fellow of the new incorporated Canadian Institute of Actuaries.³

Turning to other countries of any size in western Europe, as well as, at least, to Argentina and Mexico to the south of us, and to far-away Australia, we find they all provide legal recognition of actuaries, in varying degrees and under various rules of application. My sources,⁴ even though seemingly authoritative and definitive (as well as being reported at meetings held as recently as 1964) are, in fact, uneven, replete with omissions of one kind or another, or the rapporteurs of certain countries interpreted a given inquiry in the Questionnaire as calling for one thing while another country's rapporteur followed a different interpretation. In short, the results are not reliably comparable, a difficulty exemplifying one of the "hurdles" present at international meetings generally, be they actuarial, ministerial, legal or of other character.

* * * * *

NOTE.—See *N.B.* on page 25 of this Statement.

The foregoing has treated briefly with the following items:

- (1) "Ancient history" concerning the term "actuary".
- (2) Britain's first life insurance company (mid 18th Century).
- (3) Royal Charters for the Scottish and British "life actuarial" professional bodies when first organized, respectively, well back in the 19th Century.
- (4) Canadian "life actuaries" and the special organization thereof, in 1965, as the "Canadian Institute of Actuaries".
- (5) The resultant 1965 Incorporation of said Institute through a Charter granted by the Parliament of Canada.

³ I have just learned: (a) that Quebec Province similarly enacted a "1965 Supplemental Pension Plans Act," and that under it, also, an actuary acceptable to practice, *must* be a Fellow of said new Institute; and (b) that steps are now contemplated for legislation to be enacted in each of the Provinces of Canada which would require a form of licensing, certification or accreditation in order that a person could hold himself out as an actuary to the public, regardless of type of assignment.

⁴ Sources: Reports on their countries' laws and practices, presented by individual actuaries to the 17th International Congress of Actuaries, London-Edinburgh, May 26 to June 3, 1964; Transactions, Vol. I, pp. 33-307.

(6) Immediate application of (5) above for Ontario's "Pension Benefits Act, 1965" and for Quebec's "1965 Supplemental Pensions Plans Act," through requirement that in order to practice in respect of either Act, an actuary must be a Fellow of the new Institute of (4) and (5) above.⁵

(7) Finally, a few brief references to the status of actuaries in certain other countries.

Scanning the above list the omission of any retrospective view of the corresponding U.S. scene is quite obvious. A brief treatment thereof follows and, including the membership tables, comprised all but the last few pages of this statement.

ACTUARIAL PROFESSION IN THE UNITED STATES

A. GENERAL HISTORICAL DEVELOPMENT

Records even before 1800 exist which show starts of U.S. companies or organizations for insuring lives; these ventures, however, were abortive, of short duration or with so few applicants as to cause the "company" to turn to other ventures. Life insurance, as we know it, did not really get started—some of the companies are still extant—until between 1840 and 1850. These first companies—while the term "actuary" and his functions must have been known to them from British sources—apparently neither found the men for, nor set up the position of "Actuary"—and anything effective as state supervision must have been lacking. No doubt they borrowed freely from British sources for early premiums, policies and methods.⁶

Thus, to repeat, in the U.S. the creation of life companies antedated the appointment (or availability) of life insurance "actuaries". To correct this increasingly obvious fault, a number of mathematically educated men, between 1849 and 1860, were given the post of "Actuary" or of "Mathematician" on the rosters of life insurance company officials. They had, however, unlike Great Britain, no legal recognition, state or federal. The single exception was in the titular position of "government actuary" (Treasury Department) which was set up in 1881 by act of Congress (the early incumbents, however, were mostly concerned with national debt, tariffs, taxes, coinage and weights and measures, rather than with the duties usually imputed to the term "actuary").

As the life actuaries' functions, per se, developed in the U.S., its practitioners became recognized as a profession by life insurance men, by people in other types of insurance, and by small, knowledgeable segments of the public, although not by state or federal statute. However, the void awaiting a coalescing of these life actuaries of similar abilities and allied interests and a concurrent cybernetics structure for interchanges between them of experience studies, new ideas and methods, mathematical tools, etc., was not "filled in" until 1889. In that year, formation of the first U.S. professional association of actuaries came into being as a "going" society.⁷

It was unfortunate that statutory recognition of life actuaries by state or federal government did not occur at the time the early life insurance companies started doing a "level premium" type of business. While it is conjecture in hindsight, such formalizing of the profession would probably have stimulated formation of organized actuarial societies at earlier dates, enhancing, that much sooner, exchange of information and discovery that mutuality of interest leads to constructive educational ends and to acquisition of maturity and sophistication for better serving the public. As reiterated several times herein, the lack of legal recognition still obtains in the U.S.

As indicated from time to time above, the early U.S. actuaries—prior to and after organizing a professional society—focused mainly on life insurance theory, principles and practice. Thus, after the young life companies had gone through the experimental and somewhat turbulent formative years, a considerable stability came about. During a period of several decades, the "staying power" of the companies during various national and local vicissitudes, reflected both the sound principles which the still "non-legal" actuaries had adopted (helped by the improved quality of memberships in their societies and in their rigorous and comprehensive examination requirements) and, secondly, by the better and wider scrutiny and supervision on the part of the state insurance departments, and

⁵ This requirement now available to other Provinces, would have otherwise been available, if at all, only along a slow Province-by-Province route, a route which may still be desirable to pursue as and when helpful for "local emphasis".

⁶ Source for this, and the next, paragraph: a scanning of pp. 575-583, Chap. 29; *Life Insurance* (9th Ed.) by Joseph B. Maclean; McGraw-Hill, N.Y., 1962.

⁷ This was 41 years after similar group action in Great Britain, where, as described earlier, legal recognition of the position of actuary had existed from the original Royal Charter for the Old Equitable in 1762.

through the national organization of the state commissioners of insurance (N.A.I.C.).

The sameness of focus and the stability attained as indicated above, are quite different from what the actuaries face today. The life insurance company actuaries, for instance, are now struggling with problems of temporary and long-term disability protections, hospitalization, medical care, harmonization of their programs with the new Social Security amendments (Medicare), group pension programs and many others. Outside of the companies, the consulting actuaries are running a gamut of variations in assignments given them. Then, too, as will be seen in the next portion hereof, the specialized organizations of actuaries have their own fields to plough. Thus the point is that the mere fact of the life insurance actuaries having been successful in keeping the companies conservative and well ordered, has moved into a far wider spectrum of new experiments, etc. This fact of a present milieu for actuaries, quite different from the stability of the past, is an impelling reason for legal recognition as a means for definitions, identification in statutes, regulations, etc., by which means the public will be protected from the unqualified practitioner. The federal route in the bill now before the Sub-Committee, in my opinion, is the only *expeditious* route for securing public protection in this most difficult and technical—and proliferating—area.

B. THE FOUR NATIONAL ACTUARIAL ORGANIZATIONS (AND BRIEF ADDITIONAL INFORMATION)⁸

Society of Actuaries.—In the foregoing, the oldest (and the largest) national actuarial organization has been referred to in a number of places. Its name, since a revision in 1949, is "Society of Actuaries" and its main traditions and still principal orientation have, as their subjects, life insurance, long-term disability and other health protections, and life annuities as provided by the "ordinary," "industrial" and "group" departments of the life insurance companies, whether stock, mutual or combination type of company. The Society had its start with a formally organized membership in 1889. Not long thereafter and continuous since, admission to membership has been by written examinations in series, and requiring a number of years, at best. The Society has a three-day annual meeting each fall; in addition, regional meetings with similar programs are held each spring. The meetings take place in the United States and, not infrequently, in Canada since the membership includes many Canadian actuaries (as indicated earlier, in describing the legal recognition recently enacted for Canadian qualified actuaries).

Casualty Actuarial Society.—This organization was founded in 1914. The actuarial problems of workmen's compensation insurance, plans and funds, arising from the laws then being introduced throughout the United States, were most urgent, and many of the members played a leading part in the development of the scientific basis upon which workmen's compensation insurance, state funds, etc., now rest. The interests of casualty actuaries have expanded from workmen's compensation and automobile insurance, which was just beginning to be an important coverage when this Society was founded, to include fire insurance and allied lines of property insurance. The Society's constitution includes in its scope all lines of insurance other than life insurance. Admission to membership is by a series of written examinations.

Fraternal Actuarial Association.—The actuarial interests of fraternal societies, the American counterpart of the "friendly societies" of Great Britain, led to the formation in 1916 of the Fraternal Actuarial Association. This Association has provided the primary forum in the United States for papers and discussions on subjects peculiar to fraternal society insurance and benefit operations, and very little on this subject has been covered by the other actuarial bodies in our country. Membership is by nomination and election, rather than by formal, written examination requirements. Evidence of mathematical proficiency is required as well as experience with fraternal insurance, and full membership status requires (i) active actuarial work in, or allied to, the fraternal field and (ii) the presentation of an acceptable paper to the Association.

Conference of Actuaries in Public Practice.—The rapid development of pension and employee benefit plans during the 1940's and the formation of many new life insurance companies, greatly increased the demand for independent consulting actuarial services. The number of persons in this field multiplied rapidly (as will be seen in statistical tables later herein). The consulting actuaries felt the need

⁸ For the resume under this heading, I have drawn considerably from the Report on the actuarial profession in the U.S., contributed to the 17th International Congress (identified in earlier footnotes) by Mr. Walter Klem, F.S.A., an eminent U.S. actuary.

for an organization that would provide a forum for the interchange of viewpoints and discussion of the particular problems of the consulting actuary, and in 1949-50 the Conference of Actuaries in Public Practice was formed. The requirements for admission to the Conference have been based on both professional competence and long-term experience in serving the public rather than on formal written examination, although the latter criteria are under consideration.

Actuarial Clubs.—There are some 30 local and regional actuarial clubs in the United States. These clubs provide more frequent, informal, and social gatherings of actuaries than do the meetings of the national organizations; they also permit local actuarial contact with schools and colleges and the local public in general. They have no official connection with the national actuarial organizations but are a valued supplement; some clubs include members or associates who do not belong to any of the national organizations. Several clubs conduct classes to prepare students for some or all of the examinations required by two of the four national groups as previously mentioned.

Publications.—A vital part of the activities of the professional actuarial organizations in the U.S. is the presentation of papers at their meetings, together with discussions of these papers and *other topics* of professional interest. This "other topics" category, viewed over the years, has produced a gamut of technical reports, specialized studies, annual (or grouped-year) pooling of experience for mortality, morbidity, retirements, lapsation, etc., with related "life tables" prepared and with monetary values computed and shown. The various actuarial publications thus indicated, have provided the straw and the mortar for erecting our structures of benefits (through insurance companies or other media) subject to various types of life contingencies. The life insurance company benefit protections (and those set up by qualified actuaries for other media) have been built according to specifications of high order and by rigorously drawn blueprints (open-for-view, including examination by certain state or federal departments). Then, historically, as the oldest (by far) of the actuarial organizations, the *Transactions* (and prior journals) of the Society of Actuaries constitute valuable records of actuarial development here, and of the growth and details concerning U.S. life insurance and benefit plans (public and private) going well back into the 19th Century. Each of the other three national organizations also publishes a record of its own "Proceedings." To my mind, it is doubtful that the life insurance industry, as a group of business competitors (as well as the qualified independent consulting actuaries) can be excelled in the interchange, pooling and disclosure of information and experience obtained by the respective actuarial departments or sources. This represents public service of a very high order (and of very low self-serving publicity usage).

*Legal Status.*⁹—The subject of legal recognition of actuaries has been discussed from time to time within each of the four national organizations. Until the late 1950's, however, there was no organized activity to this end, one reason being the previous long history of there being but small proportions of independent actuaries in public practice. The role of the actuary is becoming increasingly well known today in general circles, and where actuaries are known they appear to be well regarded. This good repute could easily be lost, however, by a relatively few substantive instances of public dissatisfaction. It was foreseen that there could well be confusion on the part of the public as to the standing and quality of the rapidly growing body of those describing themselves as actuaries. Anyone in the U.S. may claim to be a qualified actuary and may offer his services as such to the public; a number of persons have done so who could not be considered fully qualified by any reasonable standards. In his presidential address to the Society of Actuaries in October 1958, Henry F. Rood referred to the tremendous increase in private pension plans and to the formation of many firms to advise clients with respect to these plans. He concluded:

"The question of legal recognition of actuaries can no longer be ignored. The millions of people involved and the immense size of the assets of our life insurance companies and pension funds dictate protection from any possibility of unsound actuarial practices."

Since then the four separate national organizations established a Joint Committee on "Organization of the Actuarial Profession"; its principal purpose was to explore means of obtaining legal recognition and thus a route for accreditation (or

⁹ *Ibid.* Under this heading, there is set out (after shortening it, for instant purposes, by some deletions I have made and through occasional paraphrasing) what Mr. Klem reported to the actuaries of some 40 countries at the said International Congress. This topic concerns the problem, in the U.S., for which the solution (or vital aid to that end) is sought through the American Academy of Actuaries Bill now before the Subcommittee.

certification or licensing, where necessary) of actuaries in the United States. The Committee's charge included exploring the development of a single, national over-all association of actuaries. The most effective and practicable structure for such an association would be to establish a wholly independent organization in its own right. Regarding the four existing specialized (more or less) bodies, they would follow their separate and autonomous existence and objectives, harmoniously concurrent with the purposes of the new American Academy of Actuaries.

This association would also consider matters of common interest, such as (1) professional standards to protect the public, (2) codes of professional conduct (already adopted in respect of each of the four), (3) public relations efforts to increase the public's awareness of the actuarial profession, and (4) to attract to the profession (and within it, specializations) a sufficient supply of qualified students.

C. STATISTICS—SIZE AND COMPOSITION, PAST AND PRESENT

In order to organize and develop a brief text (and minimum essential tables) within the focus of the above heading, it is obviously necessary to secure data pertaining to U.S. actuaries as of a suitable date in the *past*, with corresponding information for the *present* (or a quite recent date). This data should be such as to permit comparing certain aggregates over the chosen time span and for noting any trends of the period with respect to certain fairly homogeneous categories. The obvious sources to use for researching such data (aside from finding some of it already assembled and in print, as was the case) are the records of the four national actuarial organizations. These sources have been used to construct the two Tables I and II, later herein.

Our backward glance, to a chosen prior date, as referred to above, will be limited to some 20 or 25 years in the past because if some still earlier date were brought into the picture, it would dilute the resultant statistics, especially those in respect of type-of-work patterns, and it seems desirable to use the period when these patterns were undergoing considerable changes. Such changes were caused by stimuli which, *inter alia*, activated adoption of new benefit and insurance plans and revisions in old ones. I speak of the period between just prior to World War II and the late, post-war 1940's or early 1950's. For example, a big spurt in new pension plans occurred early in the 1940's by reason of programs established to supplement the then new Social Security Act; this movement was encouraged or augmented by the Revenue Act of 1942, which created a greater appeal in the tax deductibility features of plans "qualified" by IRS, especially for the trust-fund type vs. the insured type, as said Act removed prior inequities under the former. Then, further spurts occurred later in the 1940's, one of which came about as sort of "fallout" from the pay stabilization laws (which laws caused "fringe benefits" to be substituted for the prohibited pay raises). Another spurt was caused by N.L.R.B. or Court decisions finding that pensions and various other fringe benefits were "fair game" for union-management bargaining (examples being the 1949-50 initial steel and automotive pension agreements, respectively).

It is obvious that these several enlargements and tacit encouragements in the pension and "welfare plan" fields would widen and accelerate the demand for actuarial assistance during this time period. Consequently, over this time span, a considerable increase took place in the number of actuaries who qualified, as such, by having attained membership, in at least one of the four national actuarial societies (by success in the written examinations or from documented evidence of long and reputable experience in one or more of the actuarial specializations). This growth can be shown on the comparative basis mentioned earlier, viz., the status of memberships in these bodies at a given past date relative to that for the present or some recent date. In fact, there are two different aspects which are interesting to bring out and which are implied by the heading of this section. These different ways of viewing the scope and growth of the actuarial profession may be designated, respectively, "growth per se" and "expansion of specializations".

D. STATISTICS—BRIEF HIGHLIGHTS OF TABLES I & II (LATER HEREIN)

Re Table I: Considering, first, the above-designated "growth per se", let us look at figures showing memberships (both "full" and "intermediate" types) in the national bodies, at some *past* date compared with corresponding memberships of *recent* date. Table I, a full-page table for this purpose, is given at the end

of this Part D; it uses numerous footnotes in order to conserve space in this text. Table I should be clear, I feel, on close examination of its format and of its said footnotes. It contains figures showing the growth in the membership rosters of the four national actuarial organizations over the span (roughly 25 years) of the data chosen. The *numerical* growth as well as the allied *percentage* increases, are both brought out in the following text table:

TABLE (a).—*Growth in membership (1940-63) by organization*¹

Organization (using initials)	Numerical increase	Percentage increase
(1)	(2)	(3)
1. S. of A.-----	1,336	155
2. CAS.-----	79	26
3. CAPP ² -----	220	218
4. FAA-----	54	89
5. All 4.-----	1,689	127
5(a). Approximate number "persons"-----	1,556	130

¹ Figures are derived from table I.

² Using 1951; see footnote 6, table I.

Among points worth noting in text table (a) are these:

(i) Re totals in lines 5 and 5(a), "persons" grew a bit more than "memberships", a possible trend to relatively fewer "multiple memberships".

(ii) Re line 2 vs. others, the relatively small 26% growth may indicate "near-maturity" of C.A.S. memberships.

(iii) Re line 3, C.A.P.P. shows much the greatest growth rate, due partly to a base point (1951) only shortly after its formation (one might expect fast early growth). Even so, the net addition (in 12 years) of 136 consulting actuaries (from 63 to 199, per Table II) is quite significant in considering actuarial specializations for increasingly varied benefit, insurance, investment, governmental, data-processing, etc., problems of modern times.

The reference to specializations just made leads to the second different statistical viewpoint, designated earlier, "expansion of specializations". This can best be considered by comparisons, side-by-side, of the component categories (type of actuarial activity) making up the *composition* of membership in the respective actuarial organizations. To this purpose, the data can be arranged so that the membership composition in 1940 (or later organizing date) may be set out along with a corresponding distribution for a recent date. On this basis a full page Table II (again, with a number of footnotes) has been prepared and will be found a few pages ahead.

From Table II, I have prepared a summary of its figures, followed by a few points of possible interest. This summary is presented in the following text table:

TABLE (b).—*Total (all 4) memberships, distribution by specialization (1940-63)*¹

Line No. of table II	Specialization by grouped categories	Numerical increase	Percentage increase
(1)	(2)	(3)	(4)
4.-----	Insurance companies and associations.-----	765	100
8.-----	Consulting actuaries (mainly)-----	437	257
9.-----	Other private work.-----	23	100
12.-----	State and Federal Government.-----	Nil	Nil
13.-----	Teaching and research.-----	21	175
Subtotal.-----	Active U.S. actuaries.-----	1,246	120
14.-----	Nonresident or retired.-----	443	153
Grand total.-----	Increase in memberships ² .-----	1,689	127

¹ Derived from table II. Includes CAPP for 1951; see footnote 6, table I.

² For estimate of "persons," see line 5(a), table (a) above.

In Table (b), lines (4), (8) and (12) are subtotals of finer breakdowns in Table II. Among interesting points in Table (b) are:

(i) The precise (w/o decimals) doubling, in some 23 years, of each of the groups, (4) and (9).

(ii) Group (12) reveals lack of growth in "membership actuaries"; Table II shows this same result for both "state and local" and "federal" components.¹⁰

(iii) Col. (4) confirms that group (8) has experienced the highest growth rate, by far, of any other. It is made up, mostly, of consulting actuaries, who hold themselves out as competent for service to the public in general and, in particular, to employers, unions, banks, government, courts, insurance companies (usually the small company), non-profit groups, even individuals (rare), etc. Of course, by reason of the many developments on which actuarial science impinges, there has been considerable growth registered in most all of the actuarial groups, but the real high growth rates appear to have been among teachers (group (13), relatively small, numerically) and consulting actuaries (group (8)).

(iv) Concerning group (14), non-resident or retired, while split figures for the two are not at hand, there must have been, over the 20 years, a good many retirements from the active ranks. However, I also have the impression that, not counting Canada with its numerous actuaries enrolled in U.S. organizations (where they are most welcome and valuable) quite a number of foreigners, no doubt "membership actuaries" in their own countries, have applied for enrollment as "membership actuaries" in this country.

The above text tables, (a) and (b), with the few points which follow each, together with the main Tables I and II found, shortly, on separate pages, comprise this Part D. The whole section, dealing with the "Actuarial Profession in the U.S.," is now being concluded. It has been a relatively long section, of four parts. Part A presented the general history of the profession in this country; Part B examined the origins and purposes of the four national actuarial organizations; Part C gave background, purpose and rationale in respect of the statistical studies; and these studies have just been summarized as the content for Part D. These statistical results reinforce, I am sure, the latter-day convictions of the four national bodies (i) of the accelerating need for legal recognition of actuaries, and (ii) that their joint efforts to that end, as enunciated in the Bill before this Sub-Committee, are, by these results, even further justified.

On the two pages immediately following, the main statistical results are presented as Tables I and II, frequently referred to heretofore.

CONCLUDING COMMENTS

My statement up to now has confined itself principally to historical and developmental background on the actuarial profession, from the legal recognition in England by Royal Charter for the "Old Equitable" over 200 years ago, up to the important *federal* (Parliament of Canada) incorporation of a new Canadian Institute of Actuaries only one year ago.

¹⁰ It should be pointed out, however, that there are a good many public employees in actuarial or semi-actuarial activities who have become extremely knowledgeable and competent within the respective foci of their jobs or of similar assignments. Long experience in their work and/or initiative for self-study of actuarial techniques have given them high value. The persons to whom I refer have not, for one reason or another, gone through the application and qualification tests of any actuarial organization, but many of this "nonmembership" group would be suitable candidates for filing applications toward securing membership in the proposed Academy.

TABLE I.—*Growth of membership of national actuarial organizations¹ between (a) 1940 (or later organizing date) and (b) 1963; applicable census of "memberships"*²

Name of organization ³	(a) 1940 (1951 for line 3) memberships, total count			(b) 1963, memberships, total count		
	Full ⁴	Inter- mediate ⁵	Total	Full ⁴	Inter- mediate ⁵	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Society of Actuaries.....	473	389	862	1,259	939	2,198
2. Casualty Actuarial Society.....	179	127	306	207	178	385
3. Conference of Actuaries in Public Practice ⁶	50	51	101	130	191	321
4. Fraternal Actuarial Association.....	49	12	61	75	40	115
All 4 organizations.....	751	579	² 1,330	1,671	1,348	² 3,019

¹ Each organization has a number of Canadian members (especially the S. of A., line 1); some do work in both countries, some in Canada only. The figures also include a relatively few members who are actuaries resident in, and mostly working in, other countries.

² "Membership" in more than one organization being frequent, figures shown throughout the 6 columns contain overlaps. The total "memberships" in line 5, col. (4), number 1,330; when this figure has been adjusted for overlapping memberships, the net result represents 1,193 "persons." Similarly, for 1963 in col. (7), the 3,019 "memberships" are held by some 2,749 "persons."

³ An organization's name in col. (1) is the current one; it may differ somewhat from an earlier name.

⁴ These designations, "Full" and "Intermediate," for cols. (2) and (3), are used here for convenience; actually, nonuniform terms are used among the organizations for different membership categories; e.g., "fellow" and "associate" are used by the S. of A. of line 1.

⁵ See footnote 4 above. Also, cols. (3) and (6) exclude "fringe" or "junior" groups; e.g., "company nominated attendees," "guests," "affiliated" category, "students," etc.

⁶ Figures for cols. (2) to (4) of line 3 are for 1951, about a year after this organization was formed.

Sources: For lines 1 and 2, the figures of cols. (2) to (4) are from tables 1 and 2 (pp. 11 and 12) of the paper "The Actuary in Government Employment" by D. C. Bronson; vol. XXIX, R.A.I.A., 1940. For all 5 lines, the figures in cols. (5) to (7) are from table I (p. 283) of Mr. Klem's paper at the 1964 International Congress of Actuaries (cited by earlier footnotes herein). The figures in lines 3 and 4, cols. (2) to (4) were not found in source material and so have been initially researched and assembled for this particular statement to the subcommittee, by the writer.

TABLE II.—*Job categories of the respective memberships summarized in table I*¹

Specialization or employer ³	(1) 1940 (1951 for col. (4)) ²					(II) 1933 ²				
	S. of A. (2)	CAS (3)	CAPP (4)	FAA (5)	All 4 (6)	S. of A. (7)	CAS (8)	CAPP (9)	FAA (10)	All 4 (11)
(1) Life and health insurance companies.....	---	---	23	10	---	1,190	51	83	21	1,345
(2) Casualty insurance companies.....	---	100	0	0	(4)	2	147	0	0	149
(3) Fraternal insurance associations.....	(4)	1	0	24	---	12	0	3	20	35
(4) Total, (1), (2), and (3).....	539	168	23	34	764	1,204	198	86	41	1,529
(5) Consulting actuaries.....	---	---	63	25	---	265	48	199	56	568
(6) Rating bureaus, etc.....	---	24	1	0	---	0	30	0	0	30
(7) Insurance trade associations.....	(4)	21	0	0	(4)	6	2	1	0	9
(8) Total, (5), (6), and (7).....	32	49	64	25	170	271	80	200	56	607
(9) Other private employment.....	---	---	---	---	---	---	---	---	---	---
(10) State and local government.....	7	14	2	0	23	33	5	8	0	46
(11) U.S. Government, by departments ³	15	29	11	1	56	15	25	14	3	57
(12) Total, (10) and (11).....	26	34	11	1	72	27	27	15	3	72
(13) Teaching and research.....	5	6	1	0	12	19	7	5	2	33
(14) Nonresident, retired.....	253	35	0	1	289	644	68	7	13	732
(15) Grand total.....	862	306	101	61	1,330	2,198	385	321	115	3,019

¹ Each organization has a number of Canadian members (especially S. of A.) and also a relatively few members who are actuaries resident in, and mostly working in, other countries. No categories attempted; they are all in line (14).
² The column headings are abbreviated to the initials of the organizations, the key being: S. of A., Society of Actuaries; CAS, Canadian Society of Actuaries; CAPP, Conference of Actuaries in Public Practice; and FAA, Fraternal Actuarial Association. Finally, the "All 4" (col. (6)) and (11) counts "members", not "persons", (true of all col. (1) for totals adjusted down in "persons"; see footnote 2, table I, for totals adjusted down in "persons"; see footnote 2, lines (4), (8), and (12)).

³ Separation work not carried out, owing to time limits of processing over 550 names of col. (2).

⁴ The offices having "membership" actuaries in 1940 were: (a) Railroad Retirement

Board, 1; (b) SEC, temporary, 1; and (c) Social Security Board, 9; total, 11. These are "persons" whereas the 16 shown in line 11, col. (6) above are "memberships", hence the overlap. Jumping over 1933 above and using 1965, these 3 are: (a), 2; (b), 0; and (c), 1; total, 3; but 6 are not now having "membership" actuaries, viz., Civil Service, 1; Defense, 1; IRS, 3; NIH, 2; Treasury, 1; and Veterans Administration, 2; total added, 10; and grand total, 19. (Also, there are 6 departmental boards, committees or councils on which both Government and outside actuaries serve, a total of 18 "membership" actuaries thus serving by 1965.)

NOTE.—The count given in this footnote 5 is by "persons", not "memberships".

Sources: 1940 figures, partly derived from Bronson paper cited at foot of table I and partly newly researched. 1965 figures all come from a recent count made by R. J. Myers, chief actuary, Social Security Administration of HEW.

Other statements filed with your Sub-Committee have focused on the current status, and still fast-growing area, of welfare programs, pension plans, and death, disability and sickness protections—private and public, insured and non-insured. Those statements underscore the immediacy of the action needed against the now prevailing risks. The Bill before you would, if approved, constitute such action through legal recognition of actuaries by the proposed federal charter. Such charter would supply an urgently needed means for defining “qualified actuary”, these statements point out, and, beyond that, a basis for procedures of “accreditation” of such qualified actuaries when and where found advisable.

I would like to close my, mainly “background”, statement by leaving the “historical” and turning to the “present”. Consequently, the brief balance hereof, supplementary to that in the other statements referred to above, provides a little emphasis of my own in urging the approval of the Bill before you.

I believe it suitable to reiterate that this legislation is sought by the four existing national actuarial societies from convictions that it *is* for specific and general public interests and that it is *not* a proposal devised by actuaries for any self-serving purposes. For one thing, the caliber of those assigned to the Committees of these national actuarial bodies was reassuringly high. These groups worked out and developed their thoughts on suitable provisions for inclusion in a bill. It was never their objective, nor that of any others supporting this legislation, that the economic position of the actuarial profession be improved thereby.

Certainly, no stimulus is needed, or wanted, by the bona fide actuarial profession for more ways and means of getting additional work and thus piling higher the workload of the actuary. The profession can readily use more young qualified men to meet the current demands and opportunities and would not countenance any activity by the Academy, inconsistent with its published code of ethics (and the codes of the existing four national bodies) for garnering additional income for its members. The profession, indeed, spends much time and money in the recruitment of actuarial candidates and in improving their training and education in actuarial science.

Finally, I would like to add and underscore my own conviction that this is a constructive measure, with derivative advantages for many parties, including the general public and the federal and state governments. In particular, the legislation would provide, through the acute analyses usual to qualified actuaries, improvements in the security of the benefit programs for the *payee* parties, namely, employees, pensioners, policyholders, private and governmental plan beneficiaries, etc., as well as for their opposite number, the respective *payor* parties, namely, employers, trust funds (including union-management trusteeships), insurance companies, governmental systems, etc. Finally, there would be advantages for the federal government—in the various areas where either benefits are disbursed or benefit programs are part of a department’s operational jurisdiction, e.g., I.R.S., Disclosure Law (Department of Labor), the H.E.W.-Social Security’s benefits of OASDI-HI-SMI, when “medicare” is included, Civil Service actuarial areas, the V.A. benefit and reserve structure, the pensions (retired pay) and other benefits for the Military, etc.—by more scientific funding structures, definitive valuation reports, testing of actuarial assumptions, etc.

All in all—and the potential is large—I emphatically urge the enactment of the measure. I would predict satisfaction in your approval thereof, and am confident you will observe beneficial effects from legal recognition and accountability of the profession, with the derivative definitions of “qualified actuary” and, as applicable, a system of “accreditation”, all stemming from a federally chartered and incorporated American Academy of Actuaries.

May I also respectfully call your attention to the fact that, with the large and growing responsibilities being properly the function of the bona fide actuarial profession, time is of the essence to forestall further instances of said responsibilities falling into incompetent hands, a risk, unfortunately, with no preventatives available today, since “actuary” is anyone who fancies the title.

Thank you for the opportunity to submit this statement in respect of your considerations on this legislation.

NOTE.—The foregoing statement was filed with the Sub-Committee in two installments. The portion which I was able to prepare and file by February 16, 1966, the date of the Hearings, was quite incomplete, ending on page 9, *supra*, just above the asterisks. The balance of the statement after the asterisks was filed subsequently, pursuant to privilege granted me at the Hearings by the Sub-Committee’s Chairman, the Hon. Byron Giles Rogers. In addition, one item of updating has been made on page 8, in connection with a quite recent development in Canada relative to private pension programs in the Province of Quebec.

D.C.B.

Mr. ROGERS. After we have finished asking questions, if there is anything particularly that you gentlemen want to emphasize as to why this legislation should be enacted, we will be pleased to receive it.

As I understand it, Mr. Bronson has had many years of experience in and out of the Government in the actuarial field, and Mr. Linder is a consulting actuary in the property and casualty fields, is that correct?

Mr. LINDER. That is correct.

Mr. ROGERS. That leads me to this question: Actually, what is an actuary and what are his duties, first, as to life insurance companies, and second as to the fraternal groups?

Mr. Linder, you are in the property and casualty insurance field. What are the distinguishing characteristics of an actuary in casualty or property insurance as compared to life insurance or fraternal benefit plans?

STATEMENT OF JOSEPH LINDER, CONSULTING ACTUARY, PROPERTY AND CASUALTY INSURANCE, NEW YORK, N.Y.

Mr. LINDER. In the life field, of course, you deal with the probability of life or call it the probability of death, if you wish. In the casualty and property field you simply deal with the probability of a fire, the probability of an automobile accident, all different types of probabilities.

Mr. ROGERS. That is fire, theft, hail—

Mr. LINDER. Fire, theft, hail, glass breakage—

Mr. ROGERS. Wind?

Mr. LINDER. Wind, tornado, explosions, anything. They all deal with the theory of probability.

Mr. ROGERS. Is one who is knowledgeable in the theory of probability of life or as you put it, death, necessarily qualified to carry on work in the casualty field, such as automobile insurance?

Mr. LINDER. Normally, no; he would have to gain experience in the field in which he operates. In other words, take the case of a student. We had certain courses in the theory of probability, courses in statistics, courses in life contingencies and so forth.

At the time of graduation, I don't think any of us could have made a decent living.

Mr. ROGERS. You mean in the actuarial field?

Mr. LINDER. In the actuarial field, yes. We simply went to work in insurance companies and consulting offices to learn the practical end of the business so as to apply the theories we had learned in college.

Mr. ROGERS. What I am getting at is, you may have gone to work for a casualty company or you may have gone to work for a life company.

Mr. LINDER. That's right.

Mr. ROGERS. Just as we lawyers after being admitted to the bar, may take up the practice of criminal law and others may take up the practice of corporate law. It is not thought that because one may take up a certain line that he is really qualified to follow through in all other divisions of the law. Would that be true in the actuarial field?

Mr. LINDER. Yes. I think it would be.

Mr. ROGERS. If one has made a study of the losses from automobile collisions and things of that nature, and he makes a specialty of it, he is not likely to be as well qualified in other areas?

Mr. LINDER. He would be qualified, but not as well qualified.

Mr. ROGERS. Not as well qualified. The question is, with this large range of duties and responsibilities, that inheres in the actuarial practice how can you integrate them into one big society here and license them all?

Mr. LINDER. The same was as the medical profession has done. A man is licensed to practice medicine. He is licensed to do anything from treating an ingrown toenail to performing a brain operation, but he doesn't. Some become orthopedists; some become gynecologists; some become general surgeons, some become neurosurgeons. They are all M.D.'s. We are going to have in the Academy every specialty represented. That doesn't mean every man in the Academy is going to practice in all the specialties. It just can't be done.

Mr. CORS. Mr. Linder, I believe it was said this morning that one of the benefits to be derived from this proposal would be an easy means of identification of competent actuaries by the various Federal agencies; is that correct?

Mr. LINDER. That is correct.

Mr. CORS. Let's assume for the moment that Congress decides not to take favorable action on this proposal. Would you be happy to see the various Federal agencies require a special license to practice for actuaries, similar to that which existed until last fall for attorneys and CPA's practicing before the IRS?

Mr. LINDER. Of course, it is the privilege of any agency, either at the Federal level or at the State level, to say that just being a member of the Academy of Actuaries, or if there is no Academy of Actuaries, the Society of Actuaries is not enough. That is their privilege.

Mr. CORS. Do you think this would add something? Would it give more protection against that which you fear may come about?

Mr. LINDER. I doubt if it would give more protection. Remember, the Academy of Actuaries must win its own spurs. If it doesn't do a good job, the Federal Government or the State of New York or the State of California will say it is no go, we are going to establish our own.

It is always the privilege of the legislative body to do that. The Academy of Actuaries wants to assist the legislative bodies, admittedly, in its own interest.

Now the other question, so I don't overlook it. The question I believe you propounded, Mr. Chairman, is whether an automobile insurance actuary could pass on a pension plan and the reserve. Right here, let me read from the Guides to Professional Conduct:

The member will bear in mind that the actuary acts as an expert when he gives actuarial advice, and he will give such advice only when he is qualified to do so.

Mr. ROGERS. Of course, it may be a long time before anyone can determine whether he is qualified or not. If you are practicing law and you get in court and expose your ignorance, someone is going to find out about it much sooner I expect than in the case of an actuary.

Mr. LINDER. There are enough qualified men and will be enough qualified men in the American Academy of Actuaries to do so instantly.

Mr. ROGERS. That leads to the next question.

Who is going to determine professional competence? Suppose I devoted most of my studies to the casualty field, as you have. By your statement you show you have had a great deal of experience in that area.

Suppose we have to set up a fraternal organization, as an example. Would you feel, after having devoted 25 or 30 years of your life to casualty, that you could step with ease and grace and undertake the actuarial work for fraternal insurance companies?

Mr. LINDER. It happens that my experience has been rather varied. However, let me take myself as the horrible example. I would expect to be stopped immediately.

Mr. ROGERS. I was impressed with your statement and the fact that you have been working for over 40-some-odd years in this field. It is varied background. I don't want to have you as a horrible example, but just consider what the situation may be if the actuarial society, if it is chartered by the Federal Government, can prevent the entrance into membership of one who may be qualified in one area but unqualified in another.

Mr. LINDER. The Academy of Actuaries, to get anywhere and to gain acceptance from governmental bodies, either at the Federal or the State level, will have to police itself. Perhaps its policies will not be good. Then it will fall into disrepute and be completely ignored by all governmental bodies. Every professional organization must police itself.

Mr. ZELENKO. Would you just reiterate again for the benefit of the committee why federal incorporation in the case of the American Academy of Actuaries is imperative?

Mr. LINDER. I have written something out on this. Since you have my prepared statement, may I read it? It will take only a matter of a minute or two to read it. It covers the question of Federal versus State.

Mr. DONOVAN. This is not in Mr. Linder's prepared statement.

Mr. LINDER. I wrote it out during the lunch hour.

Mr. ROGERS. That is perfectly all right. We want to have the benefit of your thinking in this matter because you appear to be well qualified in this area.

Mr. LINDER. In addition to my formal presentation, which you already have, there are one or two other matters on which I should like to comment briefly.

One of these matters is that of a Federal charter versus a State charter. Were it not for the immediacy and the importance of the problem of pension funds, we could readily understand the reluctance of Congress to grant a Federal charter. However, it is the considered judgment of this group that a Federal charter would be of considerable assistance in gaining recognition rapidly where time is so important an element. This we believe to be particularly true where acceptance by Federal agencies is involved.

One other matter: It is not intended that the academy shall serve as an enforcement agency. That function will continue to be exercised by the appropriate governmental agencies, whether at the Federal or the State level.

We are simply proposing that the academy shall place itself at the disposal of the various agencies in much the same way as is done by other professional organizations. I want to stress the time element

here. If we did not have the immediate pension problem, I doubt that we would be here today.

Mr. ZELENKO. Mr. Linder, are you familiar with the report of the President's Committee on Corporate Pension Funds and Other Retirement Programs?

Mr. LINDER. I have it in front of me, but I must confess that I have not read the whole thing.

Mr. ZELENKO. In statements submitted to the committee today reference has been made to the recommendation contained in that report. I will quote from page 53 of the report the following sentence:

The funding process of every qualified plan should be certified at the inception of the plan and periodically thereafter (at least every three years) by an actuary with acceptable professional qualifications.

Mr. LINDER. That quote is in my formal statement.

Mr. ZELENKO. There is nowhere in this report, however, any recommendation by the President's committee for a private organization to accredit or certify actuarial competence; is there?

Mr. LINDER. I don't believe there is.

Mr. ZELENKO. Nor is there any recommendation by the President's committee that the Federal Government or State governments promulgate standards for actuarial competence?

Mr. LINDER. Not at the present time, no.

Mr. ZELENKO. I understand from what witnesses have said this morning that there are many actuaries practicing today that are not members of any of the four established actuarial groups.

Mr. LINDER. That is correct.

Mr. ZELENKO. Mr. Linder, is it correct that many of these non-members are not incompetent actuaries; they have not joined for reasons best known to themselves?

Mr. LINDER. That's right.

Mr. ZELENKO. You would agree, I gather, that one's failure to join one of the four existing actuarial societies does not reflect necessarily on the competency of that individual as an actuary?

Mr. LINDER. I agree.

Mr. ZELENKO. In your opinion would such persons be able to continue to practice as actuaries with the same degree of freedom, whatever that may be, after the Academy of Actuaries receives a Federal incorporation? Do you think such individuals could continue to practice as actuaries absent membership in the Academy?

Mr. LINDER. Absolutely.

Mr. ZELENKO. If that is the case, then the question arises as to what value the Academy would serve in protecting the public interest by insuring competency of actuaries.

Mr. LINDER. Let me put it to you this way: Every profession when it became organized had to do something. If you want to go way back, they enrolled all barbers as doctors. Every enrollment had a grandfather clause. The formation of the Academy of Actuaries is not intended by any of the people who are trying to form it as closing the door now. Now let me give you a perfect example. In the State of New York they felt that something ought to be done about the accountancy profession in that State. So they said show some degree of education, that you have had a little experience, and we will enroll you as a registered accountant. From now on, however, if you are not enrolled—

Mr. ZELENKO. Who said this?

Mr. LINDER. The State of New York. They said we will enroll you as a registered accountant. Then they said from now on nobody else can practice accountancy unless they became CPAs once the enrollment was completed. Call it the grandfather clause, if you wish. Maybe in 5, 10, or 15 years, when the people who came in as registered accountants who could never come in as CPAs or never wanted to be CPAs have retired or died, they will discontinue having registered accountants and everybody will either be a CPA or not be permitted to practice public accountancy.

Let's take the analogy here. We are not saying that the Internal Revenue Service or the Department of Labor or anyone else should say you are either in the academy or else. We are not saying that, or anything like that. We are going to be liberal in taking people into the Academy. We hope we can police them decently. Then, later on, I don't know whether it is 5 years from now or 7 years from now or 10 years from now, we might change it. We can then reach a decision as to whether anyone who is not a member of the Academy should be permitted to practice.

We are not trying to reach anyone who thinks he is an actuary if he can convince the necessary agencies of his qualifications, even if he can't convince us—

Mr. ZELENKO. It must be your expectation and of those who support the Academy, that its establishment will lead to the assurance of high competence and the promotion of ethical standards by practicing actuaries?

Mr. LINDER. That is correct.

Mr. ZELENKO. And you anticipate that the formation of the Academy such as that suggested here will promote professional competence?

Mr. LINDER. That is right.

Mr. ZELENKO. You say that an individual who chooses not to be a member of the actuary academy, for reasons best known to himself, would be as free to practice the profession then, after Federal incorporation, as he is today.

Mr. LINDER. For the time being, yes. I don't know how long.

Mr. ZELENKO. Further, your analogy to CPA's is an analogy that relates to a situation involving State examinations; is that correct?

Mr. LINDER. Yes.

Mr. ZELENKO. Is this really analogous to the situation before us—we are not talking about governmental regulations or governmental examination, are we?

Mr. LINDER. No.

Mr. ZELENKO. We are considering a private organization that will give examinations and review competency; is that correct?

Mr. LINDER. That is correct. It would be extremely difficult for the actuarial profession to be handled on the same basis as the accounting profession.

Mr. ZELENKO. Commissioner Hunt, may I ask you a question?

Are you aware of any attempt on the part of the National Association of Insurance Commissioners to promote a uniform law or a uniform regulation with respect to actuarial qualifications?

Mr. HUNT. I am not aware of such a movement, although in my statement there is a quotation from Superintendent Stern of New York.

Mr. ZELENKO. As the insurance commissioner for the State of Vermont, how would you react to the establishment by statute of actuarial qualifications on a State-by-State basis?

Mr. HUNT. I am not sure I understand the question. Of course, I support the bill.

Mr. ZELENKO. The bill evidently isn't aimed at that. The bill is aimed at a Federal charter for a private organization.

Mr. HUNT. I would consider an administrative ruling requiring statements coming in to me to be signed by an academy member. I suppose I could do that now with respect to certain statements, but not all.

Mr. DONOVAN. Could I answer your question, Mr. Zelenko, because over the years I have had very considerable experience with the NAIC. The answer to your question is, number one, if we attempted that route it could take 20 years, and, secondly, if you sought to get agreement among the various State insurance departments, I believe I mentioned this this morning, the unfortunate result could be in the political compromises that would be required to get this through the NAIC. What you would wind up with, would be something that would be the lowest common denominator.

Mr. ZELENKO. Has this approach been tried? Have the proponents of the Federal charter sought to get such legislation enacted in the States or sought to obtain the support of the national association of insurance commissioners?

Mr. DONOVAN. We have deliberately avoided it. We have the support of the best insurance departments and the best insurance commissioners in the United States, but unfortunately all are not of the same caliber.

Mr. ROGERS. As I understand it, it is more or less an agreement among the insurance commissioners throughout the United States that if, for example, I incorporate an insurance company in my State and satisfy the statutory provisions of the laws of my State and deposit the necessary funds, and also set up an actuarial table, and my insurance commissioner thereafter approves my application, then the various other 49 State insurance commissioners under certain agreements agree to accept, should we say, my State's approval as satisfying the laws of the State of incorporation. Thereafter they will have someone come in and examine my company from their commissioner of insurance.

Mr. DONOVAN. No, Mr. Chairman, it is not quite true as a broad generalization.

If you create an Arizona life insurance company and you wish to be admitted to New York State, they will accept the attestation of the Arizona department with respect to your compliance with the Arizona laws, but in addition would want to make certain that in order to solicit business in New York State you complied with the laws of the State of New York. Permit me, if I may, to give you a very simple example which may indeed shed some light on this entire proceeding because there are analogies here.

In the life insurance field in a broad sense there are two classes of companies; one, those admitted in New York State, and, two, those not admitted to New York State.

This is because New York State has section 213 of its insurance laws prescribing the precise commissions and acquisition costs that may be

paid to producers. In the other States you do not have this kind of rigid regulation of acquisition cost. Accordingly, many very fine companies come to mind who for their own reasons have elected not to go into New York State because of their acquisition plans. Some enormously large companies, such as Occidental Life, have elected not to come into New York State, presumably for this reason. But if any such company should come into New York State, they must comply with section 213.

Mr. ROGERS. That leads to the main question. Suppose the insurance commissioner of the State of New York, under section 213 or whatever the section might be, would insist that the company also have a certification from a competent actuary recognized by this federally chartered academy, in addition to the requirements of the statutes of the State of New York in order to transact business?

Mr. LINDER. That is his privilege today.

Mr. ROGERS. Is that likely to spread throughout the entire United States?

Mr. LINDER. It is up to the individual legislature or the Federal Government.

Mr. ZELENKO. Is it your anticipation that Federal incorporation will make it more likely that State insurance commissioners will require academy membership?

Mr. LINDER. Yes.

Mr. DONOVAN. It is rather analogous to the fact that in most metropolitan areas you have large numbers of people who earn a large livelihood during certain seasons of the year preparing income tax returns, although they are not CPA's or lawyers. On the other hand, the very fact that we have admissions to the bar, that we have procedures for CPA's, means that any responsible businessman who, as in the present case, can turn to any individual to make up his income tax return, he surely is going to want to be very certain as to the man's qualifications to do it if he is not a CPA or an admitted attorney. I think this is the analogy that we see.

Mr. ROGERS. Mr. Whitener.

Mr. WHITENER. Mr. Chairman, there is one other matter. I believe in our previous bills relating to Federal corporations we have had some specific language on nonpolitical nature of a corporation which is at variance with the language in section 10 here. I was just wondering if you gentlemen feel if we decide to go along with your overall proposition that you would be willing to accept a little additional language to that section which would say in effect that, in addition to what you already have in section 10, "or in any manner attempt to influence legislation."

Mr. DONOVAN. Certainly.

Mr. LINDER. That is true with all the four actuarial bodies today. I think it is embodied in some of our bylaws, that we take no stand on political matters whatsoever. But if you gentlemen want that in the academy bylaws, I am sure you can get it in by simply saying so.

Mr. ROGERS. It is a matter of policy.

Mr. LINDER. We will not lobby. We will never do any of that.

Mr. DONOVAN. We will conform to whatever is general policy.

Mr. WHITENER. We have been trying for several years on this subcommittee to develop some standards on these federally chartered corporations. In fact, we have even considered, I believe, trying to

pass some legislation setting out guidelines and putting this whole issue in the hands of some administrative body.

Mr. LINDER. The more stringent the requirements are, the better we would like them.

Mr. WHITENER. Unfortunately, we have at least one organization that we put that standard provision in hasn't done anything but try to influence legislation since we issued the charter.

Mr. DONOVAN. I do believe that whenever you come to the formulation of such standards that this situation is one that is almost uniquely adapted for your use in creating measuring rods and establishing those standards.

Mr. WHITENER. I think another thing, Mr. Chairman, that we have put in a great many of them—Mr. Foley, chief counsel of the committee, can advise us on that, I am sure—is a little H.R. 3 provision in these charters, which merely states specifically that nothing in this act is intended to preempt the right of the States in dealing with these matters.

Mr. LINDER. We would like that, too.

Mr. WHITENER. Some of us who fought for H.R. 3 and got bloodied over it are trying to do it piecemeal.

Mr. DONOVAN. I think this will be quite desirable. There will be among some of the less well-informed insurance departments an apprehension that in some fashion this legislation might affect State regulation and taxation of the insurance industry.

Mr. LINDER. We think that on account of the time element, we would much better work down from the Federal level to the State level, than to try to start out with the State level and work up to the Federal level. To me it is as simple as all that.

Mr. WHITENER. All of you gentlemen agree that an antipreemption provision and beefing up of the nonpolitical requirements would be acceptable?

Mr. LINDER. Yes, sir. If we had thought about it, we would have put it in ourselves.

Mr. BAILEY. Yes, sir.

Mr. WHITENER. You would not object to rewriting the dissolution provision, section 15? If you go out of business, you don't care what happens to the assets?

Mr. MILLER. We would be very agreeable to doing whatever you gentlemen suggest.

Mr. CORS. It is my understanding that you gentlemen are in agreement that you would welcome some sort of Federal oversight for the Academy. In view of the fact that a really worthwhile oversight would require a certain amount of time and work for someone, could you all suggest to the committee what you believe would be an appropriate body to carry out this oversight and to what extent they should carry it?

Mr. LINDER. Treasury or Justice. I am not sure which.

Mr. CORS. Have you given any thought to it?

Mr. LINDER. We have no objections to it. We hold only open meetings.

Mr. DONOVAN. I think the most appropriate department would be the Justice Department.

Mr. CORS. With recommendations to the Congress?

Mr. DONOVAN. Justice is all-encompassing in this field, passing on the interpretation of statutes or possible complaints and various other things. I think this would be the most appropriate agency.

**STATEMENT OF DORRANCE C. BRONSON, CONSULTING ACTUARY,
BETHESDA, MD.**

Mr. BRONSON. Mr. Chairman, you have kindly suggested that Mr. Linder and I move up from the back—from the “observers’ bench,” as it were—to the better vantage point of this “witness table.” Does this positional betterment include, as well, the perquisites of participation in the discussions?

Mr. ROGERS. Your statement is a very excellent statement which we have put in the record.

You go back to Roman times, in the dim past, and I think you have covered the waterfront quite well. If you have anything to add, we would be pleased to hear you.

Mr. BRONSON. Thank you, sir, for your invitation, which will immediately be implemented for a brief, candid statement. Of course, people respond to questions differently even if having like views. Thus, I would have used qualifications in respect of some answers I heard and, for certain others, would have given them a different coloration. Be that as it may, however, I did not “keep score” and—even if so—have no intention of proposing time-consuming incursions into the record. Hence, let us turn back to the instant inquiry. I suggest some clarification by the questioner of just what facets he had in mind when he spoke of “oversight”?

Mr. CORS. Perhaps one of the most important would be the membership policies and practices. This is an unusual situation here in that a group of professionals is being chartered by the Federal Government. I think this would be viewed by many as being a very delicate situation and worthy of oversight.

Mr. ROGERS. Have you any further questions?

Mr. McCLORY. No further questions.

Mr. ROGERS. Go ahead, Mr. Bronson.

Mr. BRONSON. Thank you, I now understand. Let me list three methods. (a) The society could check—expensive and timetaking—each abortive applicant, however dropped. (b) In lieu of (a), society might hire outside “policing force” on applicants, 100 percent or x percent sample—either expensive. (c) (1) Best answer to me would rely on abortive applicants’ reactions, per se. The “raw deal” reaction category could demand review. (c)(2) Second time losers could “sue” for redress elsewhere. This (c)(2) action must postulate unfair, biased professionals—accountants, M.D.’s, psephologists, actuaries, and so forth; unrealistic assumption, I feel, for busy folk, especially as a society’s setup—charter and incorporation—is accountable to Congress anyway; brings the assumption to the vanishing point, I feel.

Mr. WHITENER. Where do you think under the present bill that an applicant would be able to go if he were just summarily ignored when he applied?

Mr. BRONSON. That is a legal question, and I don’t want to carry on an unauthorized practice of law here, but I should think, being a Federal act, he would be able to complain to some Federal officer, and, as I just said, he should have a right and a procedure for doing so.

Mr. WHITENER. We have a bucketful of acts around here that the court says the taxpayer can't complain about. They tried to get a provision for judicial review in one of the bills here last year, the education bill, and it was beaten down in the Senate.

Mr. MCCLORY. I serve on the Private Claims Subcommittee, and maybe we can work it out as a private claim.

Mr. DONOVAN. Oddly enough, Mr. Congressman, in addition to the Department of Justice, which I think is the appropriate broad supervisor of this area, there are some very broad powers conferred on the Federal Trade Commission which I think might well be applicable in this situation.

Mr. HUNT. I have a statement that I want to get in the record before the gavel comes down.

I don't care if anyone listens to it.

Mr. ROGERS. I have already put your original statement in the record.

Mr. HUNT. This is in addition.

Mr. ROGERS. Very well. If you have it, we will be most happy to hear it. Read it if you want to.

Mr. HUNT. I am afraid the impression may have been gained this morning that certain life insurance companies have failed in recent years due to bad actuarial advice or for other reasons. Having spent 9 years in the life insurance business myself as an actuary prior to becoming Commissioner, I would like to state that to the best of my knowledge, such is not the case. Many smaller companies have been taken over or merged. I do not recall a single instance, at least in recent years, where the policyholders' protection has not been continued if the policyholder so wished.

Mr. ROGERS. I can see you are rather young. I can point out to you at one time I was attorney general for the State of Colorado and had supervision over the insurance department. One of the things I had to deal with was a company in which its actuary or somebody misgaged the disability features among those who took policies. They woke up one day and found out that they were broke or on the verge of it.

They reorganized, eliminated that clause from the policy, and they are doing business today.

Mr. HUNT. Was that more than 10 or 15 years ago?

Mr. BRONSON. Mr. Chairman, you were kind enough to refer to my written statement as being of interest, but it now ends like a door shutting in your face. Certain additional informative material is in process over at my office. Is it in order for me to file that by sending it in and having it associated with that statement in completion thereof?

Mr. ROGERS. Yes, sir.

Mr. WHITENER. Mr. Chairman, I think we should do that. I have had some letters from acquaintances in North Carolina who are interested in this problem, and I think it might be well, in view of the fact we have had these gentlemen here and they no doubt are going to be encountering their colleagues in the next few days, to leave the record open for a certain period of time.

Mr. ROGERS. May I say in response to your question, you are free to submit the additional information that you have in mind.

Mr. BRONSON. Yes, sir. May I now ask Mr. Zelenko one last question?

Mr. WHITENER. He is not very good at answering.

Mr. BRONSON. He made a statement about the responses of the other Government agencies in which I believe he said that the Railroad Retirement Board was the only one making a positive endorsement of this. Is that correct?

Mr. ZELENKO. I think that is right. But HEW also recommends the bill.

Mr. BRONSON. HEW I understand; that is a pretty important endorsement in the field of benefit programs and the functions of actuaries.

Mr. ZELENKO. They recommended that the bill be given favorable consideration.

Mr. BRONSON. Now, with respect to any IRS letter either absent or expressing apathy on the matter, that does not quite square with past episodes or with informed talks I've had down there. For example, there used to be a term in IRS regulations calling for a "qualified actuary." The word "qualified" was later deleted, for the reason I was told that there was no way, no practicable device, for defining "qualified"; it could hardly apply to one society and not the others. If, on the other hand, legal recognition of the profession had existed in a federally chartered American Academy of Actuaries, IRS would have had a "handle" to use for full or partial—as they might decide—definition of "qualified actuary" for purposes of their statutes. Furthermore, I am sure—especially when reviewing recent Canadian events, per my written statement—that a number of other Federal agencies would make use of said "handle" or of such precedent definition in another agency.

If they had an academy, they would have a handle.

Mr. DONOVAN. Mr. Chairman, before the meeting is concluded, may I state for the record on behalf of all of us our deep appreciation of the patience and courtesy with which this committee has permitted us to present our case.

Mr. ROGERS. We are always looking for help and guidance in any piece of legislation we have. We express our thanks to you for coming here and giving us the benefit of your advice.

Mr. WHITENER. What is our time limitation on filing of further papers?

Mr. ROGERS. Two weeks. I am recessing the committee subject to the call of the Chair.

(Whereupon, at 3 p.m., the committee adjourned, subject to the call of the Chair.)

(Additional statement submitted for the record.)

FEBRUARY 17, 1966.

Mr. JOHN S. RIPANDELLI,
Chief Actuary,
Tallahassee, Fla.

DEAR Mr. RIPANDELLI: This will acknowledge receipt of your letter of February 15, 1966, in reply to my invitation to you to appear before Subcommittee No. 4 on February 16, 1966, and testify on proposed legislation to grant a Federal charter to the American Academy of Actuaries.

Pursuant to your request, your views on the proposed legislation will be inserted in the hearing record.

Sincerely yours,

EMANUEL CELLER, *Chairman.*

TALLAHASSEE, FLA., February 15, 1966.

HON. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN CELLER: Thank you for your invitation to appear before your Committee on February 16, 1966 to be heard on the proposed charter for the Academy of Actuaries. I cannot appear in person but I would like to submit the following remarks for the record.

I wrote you last September, followed up by a telegram on September 14, 1965, that I had certain misgivings about the granting of this charter. I wrote the same misgivings in a letter dated September 27, 1965 to Congressman Byron Rogers.

The granting of this national charter will tend to give us professional recognition on a national basis. This is good. What I do not want to see is a perpetuation, with the blessing of the Federal Government, of the controls which, in my opinion, have held down the proper growth of this profession for the needs of the nation.

This control has been exerted through the Society of Actuaries' system of examinations. This system of examinations is not a reasonable test of ability but a process for eliminating all but a corps of elite as future replacements for the staffs of large companies. An investigation of the percentage of starters in the past and the number, and distribution, of those who finally achieve Fellowship status will reveal this. The attached distribution of members of Actuarial Clubs shows the heavy concentration of "Fellows", as compared to "Other" who are perfectly able men in this field, in the geographical centers of the large companies.

My opposition is not intended as criticism of large companies, or the Society of Actuaries' practices. I do not agree that this examination system which is good for the Society is good for all of us throughout the nation, or in the public interest.

Yours very truly,

JOHN S. RIPANDELLI, *Chief Actuary*

ACTUARIAL CLUBS¹

- Arizona Actuarial Club: Gerald Koger, President; Arthur W. Saffert, Secretary-Treasurer (National Life and Casualty Ins. Co., Phoenix, Ariz. 85004).
 Baltimore Actuaries Club: Ralph E. Edwards, Secretary (Baltimore Life Ins. Co., Baltimore, Md. 21201).
 Actuaries Club of Boston: Rotating Chairman; George L. Hill, Secretary-Treasurer (New England Mutual Life Ins. Co., Boston, Mass. 02117).
 Canadian Association of Actuaries: D. T. Weir, President; F. E. Rooke, Secretary, (Canada Life Assur. Co., Toronto 1, Ontario).
 Actuarial Club of Chattanooga: Nicholas Prendergast, President; Frederick C. Sanner, Secretary-Treasurer (Provident Life & Accident Ins. Co., Chattanooga, Tenn. 37402).
 Chicago Actuarial Club: Ralph J. Eckert, President; John A. Roberts, Secretary, (Continental Assur Co., Chicago, Ill. 60604).
 Columbus Actuarial Club: Curtis D. Greene, President; Richard G. Rink, Secretary-Treasurer (Midland Mutual Life Ins. Co., Columbus, Ohio 43216).
 Actuaries Club of Denver: Ralph H. Niles, President; Lynn Dudley, Secretary (Secretary Life & Accident Co., Denver, Colo. 80202).
 Actuaries Club of Des Moines: James W. Kemble, President; Robert Davis, Secretary (Bankers Life Co., Des Moines, Iowa 50307).
 Actuaries Club of Hartford: Peter W. Plumley, President; Robert Merritt, Secretary-Treasurer (Phoenix Mutual Life Ins. Co., Hartford, Conn. 06115).
 Actuaries Club of Indiana, Kentucky, and Ohio: Fred G. Letwin, President; Kenneth V. Eckhart, Jr., Secretary-Treasury (Lincoln National Life Ins. Co., Fort Wayne, Ind. 46801).
 Actuarial Club of Indianapolis: Jack Newell, President; Dorothy M. Lyon, Secretary-Treasurer (American United Life Ins. Co., Indianapolis, Ind. 46206).
 Kansas City Actuaries Club: John Tolman, President; Roy W. Aikman, Secretary-Treasurer (Prairie Village, Kan. 66208).
 Little Rock Actuarial Club: Otto Gross, President; Ian D. Campbell, Secretary-Treasurer (First Pyramid Life Ins. Co., Little Rock, Ark. 72203).

¹ These clubs, of a local and regional character, have no official connection with the Society of Actuaries but supplement many of its activities.

- Los Angeles Actuarial Club: William F. Marples, President; Clement B. Penrose, Secretary (Pacific Mutual Life Ins. Co., Los Angeles, Calif. 90054).
- Madison Actuaries Club: Henry F. Scheig, President; William A. Halvorson, Secretary (Milliman & Robertson, Inc., Milwaukee, Wis. 53202).
- Michigan Actuarial Club: Howard Young, President; Donald A. Jones, Secretary (University of Michigan, Ann Arbor, Mich. 48104).
- Middle Atlantic Actuarial Club: Paul C. Moore, President; Helen R. Gibson, Secretary-Treasurer, (Monumental Life Ins. Co., Baltimore, Md. 21202).
- Actuaries Club of Montreal: C. E. Jack, President; A. U. Lyburn, Secretary (Standard Life Assur. Co., Montreal, Quebec).
- Nebraska Actuaries Club: Myles M. Gray, President; Fenton R. Isaacson, Secretary-Treasurer (Haight, Davis & Haight, Inc., Omaha, Nebr. 68132).
- Actuaries Club of New York: Clark T. Foster, President; Nora A. Beattie, Secretary-Treasurer (New York Life Ins. Co., New York, N.Y. 10010).
- Actuarial Club of the Pacific States: John F. Hook, President; Louis Garfin, Secretary (Pacific Mutual Life Ins. Co., Los Angeles, Calif. 90054).
- Actuaries Club of Philadelphia: Rotating Chairman; William F. Sutton III, Secretary-Treasurer (Penn Mutual Life Ins. Co., Philadelphia, Pa. 19105).
- St. Louis Actuaries Club: John H. Biggs, Chairman; C. Roland Boehm, Secretary-Treasurer (General American Life Ins. Co., St. Louis, Mo. 63166).
- San Francisco Actuarial Club: Ronald J. Martin, President; Eugene E. Jacks, Secretary (San Francisco City and County Employees' Retirement System, San Francisco, Calif. 94120).
- Seattle Actuarial Club: James A. Curtis, President; Robert V. Young, Secretary (Johnson & Higgins, Seattle, Wash. 98105).
- Southeastern Actuaries Club: Harold W. Black, President; Charles W. Jacoby, Secretary-Treasurer (Prudential Ins. Co., Jacksonville, Fla. 32201).
- Actuaries Club of the Southwest: Eugene Wisdom, President; John J. Evans, Secretary-Treasurer (Southwestern Life Ins. Co., Dallas, Tex. 75221).
- Twin Cities Actuarial Club: Luther O. Forde, Chairman; Willis J. Lutz, Secretary (Minnesota Mutual Life Ins. Co., St. Paul, Minn. 55101).
- Actuaries Club of Winnipeg: A. M. Sutherland, Chairman; E. R. Vogt, Secretary-Treasurer (University of Manitoba, Winnipeg 9, Manitoba).

MEMBERSHIP OF REGIONAL ACTUARIAL CLUBS

The following information as to membership requirements, status and occupation of members was obtained from 12 actuarial clubs out of 25 to whom the Actuaries' Club of Hartford distributed a questionnaire:

Requirements

Baltimore:

Four exams or an actuarial title.

Boston:

Associate of recognized Actuarial society.

Des Moines:

Male, employed in insurance work and have passed Part 1 or more.

Indianapolis:

Any person engaged in actuarial work, pursuing actuarial studies. Any supervisor or executive of a life insurance company engaged in work allied to that of an actuary—approved by $\frac{3}{4}$ of members present at meeting when name is submitted by membership committee.

Kansas City:

Interest in purpose of the club.

Middle Atlantic:

FSA, ASA, FCAS, ACAS.

Passed 4 or more exams.

Title of Actuary, Associate Actuary, Assistant Actuary of a state insurance department or of a life insurance company, or has a responsible actuarial position of grade CS13 or higher with Federal Government.

New York:

Member of actuarial society (any one engaged in responsible actuarial work may be elected to membership in Junior branch only; Senior branch depends on years of membership in Society of Actuaries).

Philadelphia:

Fellow or Associate.

Other person of recognized standing in profession approved by $\frac{2}{3}$ vote of membership.

San Francisco:

Generally having passed first three exams.

Seattle:

Students who have passed 2 of first 3 actuarial exams.

Three years' experience in responsible actuarial position.

Southeastern:

Associate or Fellow or one who has performed responsible actuarial work for at least five years.

	Number of members	Status			Occupation		
		Fellow	Associate	Other	Insurance company	Consul- tant	Other
Baltimore.....	23	7	5	11	14	2	7
Boston.....	183	107	57	19	163	13	7
Des Moines.....	71	35	12	24	64		7
Indianapolis.....	73	10	13	50	56	11	6
Kansas City.....	60	9	9	42	51	6	3
Michigan.....	62	7	4	51	29	17	16
Middle Atlantic.....	134	46	30	58	74	26	34
New York.....	623	379	243	1	473	77	73
Philadelphia.....	83	51	28	4	44	30	9
San Francisco.....	59	24	15	20	27	16	16
Seattle.....	40	8	7	25	24	11	5
Southeastern.....	¹ 140	39	18	63	89	24	7

¹ 20 new members not allocated by status or occupation.

