

The Actuarial Update

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AMERICAN ACADEMY OF ACTUARIES

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Enclosures

Included in this month's issue of *The Update* are the following:

- Government Relations Watch
- In Search Of . . .
- Supplemental List of Members

Modern Insurance 1905: The Armstrong Investigation

by Chris Pankow

1905 was a landmark year for insurance, a year that saw as much intrigue and venality as one finds in a television soap opera. Its events demand a closer look than our series normally encompasses; this month we step back from our overview to examine an investigation that led to major changes in the insurance field.

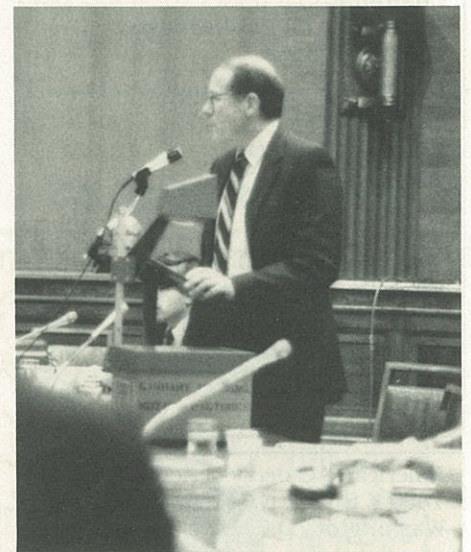
In 1905, James W. Alexander, president of the Equitable in New York and one of the trustees of first Vice President James Hazen Hyde's 502 shares of capital stock, attempted to remove Hyde from his position and mutualize the Equitable. Hyde's shares were half of the company's stock and would have given Alexander complete control. This plunged the company into so much internal bickering that the wars of high-finance at the Equitable gave newspapers and magazines plenty of fodder for

melodramatic stories. Public doubts about all life insurance business grew and eventually political action was provoked.

Various factions in the Equitable moved and counter-moved. Hyde admitted he was a member in a syndicate that underwrote some banking securities issues and said Alexander was also involved in the syndicate. Alexander at first denied the allegation, but had already admitted involvement to the New York insurance department.

The Equitable was not the only insurance company attracting attention, but public interest was heightened when the media caught onto its conflicts. The Equitable case brought a media outcry that was quick and often vicious. Newspapers and periodicals courted public resentments by declaring that investigations of the Equitable were due and that, indeed, the entire life insurance business was now in question.

(continued on page 4)



Norman S. Losk, (center left) Subcommittee on Public Employee Retirement Systems, and Larry D. Zimpleman, (center right) Subcommittee on Single Employer Plans, represented the Academy at a recent policy forum on developing a retirement system for new federal civil service employees. This fifth in a series of forums was sponsored by a Senate subcommittee; Royal Shipp of the Congressional Research Service acted as moderator.

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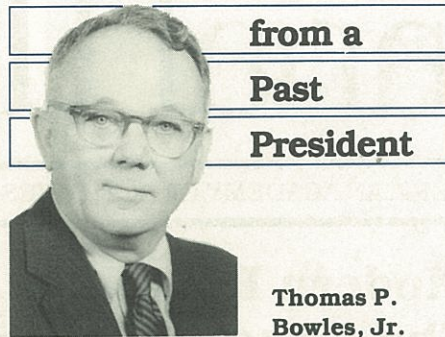
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from a

Past

President

**Thomas P.
Bowles, Jr.**

The Courage to Excel

Actuaries are probably typical of most professionals in that they can be divided into two broad groups: those who have the pat answers and follow the well-known patterns, and those who from time to time willingly wipe the slate clean and take a fresh look at themselves, their philosophy, and their profession.

The first group persist in carrying with them the usual assortment of stereotypical assumptions. Chains bind them to tradition. They have the automatic pilot set for a course they have always followed. Their discussions and thought patterns are molded by preconceived and concretely-set notions, which may have no real relationship to their changing environment.

The second group are those brave and priceless hearts who will give evidence of having exercised imagination and creativity. They dare to change; they dare to chart new directions. They may be called dreamers, but they will dream good dreams and remain vigorous.

Many years ago I was among a group of young professionals tackling a job for a distinguished insurance executive. During the course of our labors, as he looked on, he cast several pearls of wisdom our way. One day he asked: "What are the four most valuable characteristics required of the professional today?" He did not have in mind intellectual

New Associate Editor

With this issue of *The Actuarial Update*, Barry Watson joins the masthead as associate editor. In a career distinguished, among other accomplishments, by service to the actuarial profession, Watson has held the positions of executive director and, later, vice president of the Society of Actuaries, president of the Conference of Actuaries in Public Practice, and secretary of the Academy.

brilliance, physical energy, drive, sense of humor, integrity, desire for power, or desire to manage. No, his answer was the capacity for creative thinking (imagination), a willingness to make decisions, willingness to change, and attitude.

Creative thinking. Do you remember the quotation from Nietzsche: "Many a man fails to become a thinker for the sole reason that his memory is too good. Only in man's imagination does every truth find an effective and undeniable existence. Imagination, not invention, is the supreme master of art and of life." Imagination has long been recognized as one of the pristine powers of the human mind. Even Shakespeare concluded that this divine spark of imagination is what makes man "the paragon of animals."

Reluctance or inability to make decisions has actually led to self-destruction. I can cite from personal experience the case of a chief executive of an industrial corporation who literally committed suicide because of the intense emotional turmoil and mental anguish he experienced during the decision-making process. A willingness to make a decision in effect reflects confidence and discipline. It is, to some considerable extent, the essence of creative labor and the source of great satisfaction for the executive or professional.

Change is the requisite for survival. The measure of a person to some considerable extent is taken by his capacity to respond to change. This response should be positive and creative, not negative and reluctant. The business community, the insurance industry, and the actuarial profession are crying out for the knowledgeable, articulate, creative, persuasive, and decisive person who can lead the way—the brave souls who perceive the future with clarity and conviction. Our profession is changing. Horizons are expanding. Do not resist change. Accept, embrace, and respond to change.

Attitude is certainly one of the great forces that propel men along their professional or business careers. Viktor E. Frankl, the famous Austrian psychiatrist, in his theory "logo therapy" states that, "In the concentration camp every circumstance conspires to make the prisoner lose his hold, and the familiar goals in life are snatched away. What alone remains is the last of human freedoms—the ability to choose one's attitude in a given set of circumstances."

(continued on page 7)

Letters to the Editor

Bravo!

Fred Kilbourne's "Time and Time Again" in June was the best article I've read in an actuarial publication. How refreshing to read about something other than unisex, banking deregulation, or universal life! The article redefined my perspective of aging and the childhood years.

Thanks, Fred, for the excellent article. Please write a follow-up soon.

Gary D. Bleitner
St. Louis, Missouri

What a delightful piece by Fred Kilbourne. Please pass along my regards to him.

You may be aware that *Newsweek* publishes a weekly column called "My Turn." The column consists of contributions by anyone who cares to submit a worthy article. I think Mr. Kilbourne's essay is an excellent candidate.

Tessa Jolls
Publisher and Editor
St. Louis, Missouri

Another View

Haeworth Robertson has provided a useful table showing estimates of Social Security income and outgo for eleven, twenty-six, thirty-six, and fifty-six years [*The Actuarial Update*, May 1984]. These estimates indicate that outgo and income will match for the next twenty-six years.

Why is it that Atlantic City will lay big odds against such an occurrence? The answer provides a badly-needed lesson for the many recently-created actuarial futurists. (I joined too.) In reading futurist literature I find a regrettable tendency to look at a table like this and treat each item with equal respect. Actually, if the eleven year estimate has a standard error of 10% (a very conservative guess), then the minimum standard error of the twenty-six year estimate will be about 16%, and I would guess at a minimum standard error of at least 23% for fifty-six years.

Robertson's estimates indicate some trouble for Social Security starting after twenty-six years. It should be noted that a large group of people are claiming that Social Security is loaded with income and will have no problems. And they are intelligent-looking; there is not a wild-eyed radical nor a knee-jerk liberal among them. In calm, correct English they suggest that Social Security should be made voluntary. Larger benefits, they maintain, could then be paid by insurance companies without any cost increase. Since the annual Social Security expense charge is slightly over 1%, (traditional insurance company expense charges are at least 10% above that). This, if true, means that right now Social Security must be filling their vaults with the excess taxes that they are collecting. I tend, instead, to believe that Robertson's figures are much more reliable.

According to Robertson, his table indicates that "... for today's youth,

taxes must be increased substantially or benefits must be reduced substantially. . . ." The real problem is that the table does not show any estimate of the real GNP that would be expected twenty-six years from now. That was readily available as a by-product of the estimates in the table. Without it, any immediate changes could only affect taxes, not benefits. If the estimates of real GNP were to show an expected increase of 80% after fifty-six years (a very conservative assumption), an immediate reduction in benefits would be doubly wrong.

The real GNP in this country has always increased a great deal from generation to generation. Social Security makes it possible for older people to get a little bit from that growth in GNP. After all, they laid the basis for it.

Charles M. Larson
Whittier, California

The Update welcomes letters from readers. Letters for publication must include the writer's name, address, and telephone number, and should be clearly marked as Letters to the Editor submissions. Letters may be edited for style and space requirements.

SALLY FORTH

by Greg Howard



Actuaries in the Department of Labor

by Harwood Rosser

Prior to the passage of the Employee Retirement Income Security Act (ERISA) in 1974, there were no qualified actuaries (i.e., members by examination of recognized professional organizations) in the U.S. Department of Labor (DOL). There were employees with the job title "actuary," but without the qualifications.

ERISA established a new classification, "enrolled actuary," the first time in this country that any sort of licensing arrangement for the profession had been prescribed by law. To become accredited, a candidate had to satisfy both knowledge and experience requirements in the pension area. In order to qualify candidates as enrolled actuaries, ERISA called for the creation of a joint board to examine their credentials. The Joint Board for the Enrollment of Actuaries was born. Three of the five members of the Joint Board are appointed by the Secretary of the Treasury, and two by the Secretary of Labor. Serving on the Joint Board is an important function of a DOL actuary. Except for that activity, DOL functions and activities that involve actuaries do not appear on any regular schedule. They are often advisory in nature.

Periodically, proposed regulations, which may go through several drafts, are submitted to the Division of Actuarial Services (DAS) for review. In addition to coming from within the Department, these drafts come for the most part from the Treasury Department, the Pension Benefit Guaranty Corporation, or from sources such as the Equal Employment Opportunity Commission.

The most frequently occurring activities of a supportive nature involve the Office of Enforcement, when Form 5500s are being audited, or there has been a field investigation with a possible view to litigation. Most of the questions that arise are actuarial in nature. In the recent past, a somewhat unusual situation involved furnishing court testimony as an expert witness in a California case where seventeen criminal convictions were obtained.

At least three times a year, various projects are assigned to DAS. Some are like the study made at the request of President Ford to furnish an estimate

of the cost of equalizing pension benefits by sex, a study which might be regarded as background and source material for two Supreme Court decisions: the *Manhart* case and the *Norris* case. Another involving the Comprehensive Education and Training Act required estimating the cost of continuing DOL funding of welfare benefits in six states at a level comparable to what is available for federal employees.

Sometimes the assignment takes the form of appointment to a committee such as the Interdisciplinary Pension Actuarial Advisory Group, whose purpose was to develop and recommend uniform pension terminology. In another appointment, the chief of DAS will be working for a year with Howard University to establish a program to encourage and assist undergraduates in preparing for the actuarial examinations, and hence an actuarial career, perhaps in government.

Harwood Rosser holds the title of actuary with the U.S. Department of Labor.

MODERN INSURANCE

(continued from page 1)

To stave off some of the bad press, the Equitable's directors established a committee to look into the mess; it suggested that Alexander, Hyde, and Tarbell (third vice-president) be removed. As a result, Hyde sold his 502 shares to Thomas Fortune Ryan, vice-president of the Morton Trust Company, for \$2,500,000. Ryan put the shares in trust to Grover Cleveland, Morgan J. O'Brien, and George Westinghouse. The three, said Ryan, would bring the company about. Paul Morton, Secretary of the Navy and ex-president of a major railroad, was elected chairman of the board and controlling director of the Equitable.

All appeared well for a short while. But soon the intentions of the new officers came into question, especially those of Morton, who, when president of the railroad, was said to have engaged in illegal and unethical practices, such as rebates and discrimination.

Francis Hendricks, superintendent of the New York insurance department,

Checklist of Academy Statements June 1984

Copies are available from the Washington office.

TO: NAIC Standing Technical Actuarial (EX5) Task Force, June 2, 1984. RE: Dividend principles and practices. BACKGROUND: Status report on the project of the Committee on Principles and Practices for Dividends and Other Non-Guaranteed Elements.

TO: NAIC Standing Technical Actuarial (EX5) Task Force, June 3, 1984. RE: Valuation actuary. BACKGROUND: Presentation at open meeting on proposal to create the position of "valuation actuary" in the United States. Δ

International Research Competition

A competition for young actuarial researchers, born after April 30, 1952, is being sponsored by Actuarial Studies in Non-Life Insurance (ASTIN), a part of the International Actuarial Association.

Research papers may be submitted by anyone, whether holding an actuarial degree or not. Papers cannot exceed twenty-five typewritten pages and should follow "Instructions to Authors" found in recent issues of *The ASTIN Bulletin*. Ph.D. theses are not acceptable.

Submission of a paper implies automatic submission for publication in *The ASTIN Bulletin*. The paper must be original and unpublished.

Submit entries under a pseudonym with a separate sheet attached stating the pseudonym, name, address, occupation, and age.

Three winners will be selected by a jury of industrial and academic researchers and will be invited to attend the eighteenth ASTIN Colloquium, October 1985, in Biarritz, France, at ASTIN's expense.

Entries must be received no later than May 1, 1985. Send to: Mr. P. ter Berg, editor of ASTIN, Hildebrandhove 38, 2726 AW Zoetermeer, Netherlands. Papers may be in English or French. Δ

then issued a report that focused on the problems of the Equitable and deepened an already wide cataclysm. It became apparent that a full-scale investigation was necessary.

Enter the New York Legislative Insurance Investigation Committee, organized August 1, 1905, commonly known as the Armstrong Committee, chaired by New York Senator William W. Armstrong. Charles Evans Hughes was legal counsel, and his meticulous methods of questioning witnesses and procuring information won him career-long respect. Hughes was assisted by a well-known consulting actuary, Miles M. Dawson, editor of the *Insurance Chronicle*.

Executives from the Equitable and other large firms such as the New York Life, Mutual Life, the Mutual Reserve Life, the Prudential, and the Metropolitan were called to the witness stand, and some from smaller companies.

The committee's approach was not ruthless and thrill-seeking, as many reporters had hoped; rather, it sought to answer basic questions about the insurance business, uproot corruption where it was found, and effect change where it was needed.

The investigation nevertheless invoked strong reactions from those who testified. At one point, Mutual President Richard A. McCurdy snapped at Hughes when questioned about the operation of the Mutual, "You are trying to prove me a fool. I refer you to the actuary." And *The New York Times* said of James Alexander's retirement: "He is now in a sanitarium, and the last reports were that he was a physical wreck."

The investigation exposed many questionable if not downright illegal uses of companies' funds. Involved were bribes to politicians and judges, tax evasions, real estate deals with dirty money, lobbying funds, inflation of salaries through various means, personal loans, and campaign contributions. John A. McCall of New York Life said in one of the investigation's more memorable moments that he believed "three-fourths of the insurance bills introduced in the United States are blackmailing bills." Richard McCurdy provided an amusing and oft-quoted testimonial comment in referring to a life insurance company as "an eleemosynary institution"; that is, an institution supported by alms!

Insurance historian R. C. Buley wrote

(continued on page 7)

The New York Times

"All the News That's Fit to Print."

The Standard. For daily and Sunday editions, see the circulation card.

VOL. LIV...NO. 17,351. NEW YORK, THURSDAY, JULY 1, 1906.—TWELVE PAGES. ONE CENT.

THE ARMSTRONG REPORT COMES OUT

Radical Reforms Urged 25 Insurance Bills.

**POLICYHOLDERS
NO STOCKS TO
NEW BUSINESS
Must Be Sold in F
No Syndica**

JOHN A. MCCALL QUILTS N. Y. LIFE PRESIDENCY

Mr. McCall Said That His Peace of Mind Demanded His Retirement —Trustees Reluctantly Acquiesced.

DEPEW, ODELL, AND RYAN. Section of the Report Devoted to Their Insurance Activities.

A section of the Armstrong Committee's report is devoted to the former Chauncey M. Depew, Odell, and Thomas F. Ryan. Commenting on Senator Ryan's explanation of the services rendered for his fee of \$25,000, the committee says: "The testimony as to very general, and it does not seem to be the side of those which the society was entitled to receive from him as a Director, that the services were such as to warrant the payments made."

In careful language the report handles the testimony in regard to the settlement of ex-Gov. Odell's shipbuilding claim against the Mercantile Trust Company. It says:

OFFICIALS HAD POWER TO DETECT THE ABUSES

But Examinations Were a Farce, the Committee Says.

BLAME PUT ON HENDRICKS

As the important plot in the life insurance situation is that the committee undertakes to bring about; it seeks to eliminate every feature of the business which

Excuses of Officials.

INSURANCE MEN SILENT.

GOV. HIGGINS SIGNS LAST INSURANCE BILLS

The Big Bill and Perjury Measure Become Laws.

REVIEW OF INVESTIGATION

Armstrong Committee or the Administration Governor's Memoranda.

The New York Times, N. Y., April 27.—Gov. Higgins signed the two remaining insurance bills. All of the measures which have been passed in New York are now part of the law. The bills signed to-day are the one which amends the insurance law and the perjury bill. There was much discussion

at night on the extraordinary session of the Governor in his message "big bill." "I recommend the consideration of the Legislature of the appointment of a committee to investigate the operation of the life insurance companies in this State.

NO MORE SYNDICATES FOR THE EQUITABLE

Continued from Page 1.

of his resignation rather earlier and asking him to come back to the company. The note was by a member of the board. It was there would be a complaint.

of the New York Year's out of an accounting of the billton received on the part of President John A. McCall while Hamilton managed the legislative bureau of the New York Life and of the expenses of that bureau in general. These, the Investigating Committee of the company figures, are some \$1,300,000. Of this amount they believe that Hamilton should account for about \$1,000,000. Of the \$1,000,000 about \$700,000 was for the general purposes of the legislative bureau, \$75,000 was collected by Hamilton for the payment of certain taxes and never used for this purpose, \$140,000 was

Armstrong Committee Will Recommend Radical Changes.

Actuarial Rookies

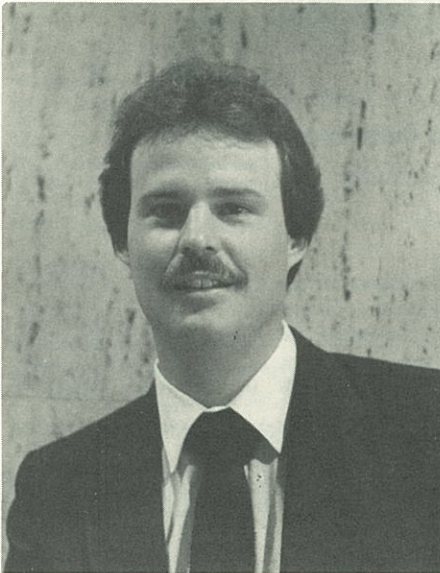
The Update spoke with three enthusiastic newcomers to the actuarial profession and got their impressions and expectations of the field. Annette Baker, 20, is a junior majoring in actuarial science at the University of Michigan. Bill Dowell and Kevin Smith, both 23, are graduates of Loyola College in Baltimore and have been working at Maryland Casualty since September 1982.

The Update

What made all of you decide to go into actuarial science?

Annette

My first love has always been math. I considered music for awhile—I play the flute—but decided I wanted to eat for the rest of my life.



Kevin Smith

Kevin

My high school guidance counselor suggested actuarial science, but I wasn't ready to commit myself at that point. When I got to college, the chairman of the math department gave me some career guides in the mathematical sciences. After reading them over, I was again struck by actuarial science as the career that allowed me to use my math the most.

Bill

During my senior year in high school, I researched and wrote a term paper on actuarial science; I became interested that way. The more I learned, the more I liked it.

Kevin

I got a part-time job here at Maryland Casualty while still in school so I could try it out. During that time I learned a

little about how to make rates and do reviews . . . nothing too deep, the basics.

The Update

What do your friends think of the field?

Bill

When I mention to people what I do, they usually say, 'An actuary? What's that?' I give them the line about that's where the dead actors are buried.

Annette

Not many people, I've found, know what actuarial science is.

Kevin

My fiancée's a nurse. She says everybody asks her what I do, and she doesn't know what to tell them. When Bill and I double-date and start talking actuary, our girlfriends usually tune-out.

The Update

What areas of specialization are you pursuing?

Bill

When I researched the field, the information out there was practically all on life. I had no idea about the casualty area. My senior year in college, when I started talking to people, it seemed like the over-all opinion favored casualty; it seemed the demand was better.

Kevin

It was the same for me. I didn't know there was a difference between life and casualty, either. Once I was on the job, I understood much better.



Annette Baker

Annette

I haven't learned enough about the whole field to decide yet. I've looked into life insurance and spoken to people about consulting, but I really can't say. My counselor said that whatever you get from school is great, but the bulk of everything is yet to come.

The Update

Do you find the exams a little scary?

Kevin

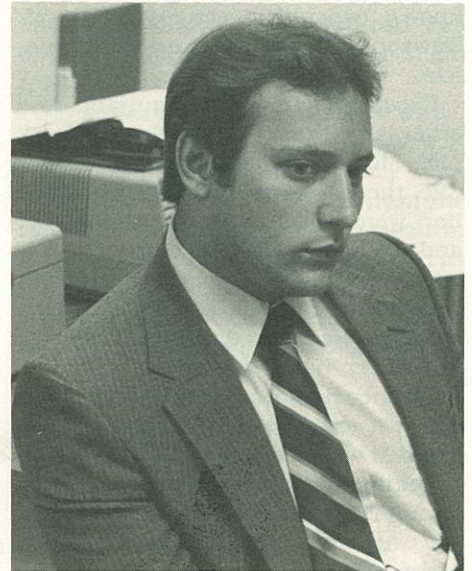
Yes! But the advantage of this system is that you don't have to pass all the exams to practice in the field. My goal is to pass ten exams in ten years. I'll be taking Part 3 soon.

Annette

I'm taking the first one soon and I'm petrified.

The Update

Where do you see yourselves in, say, five or ten years?



Bill Dowell

Bill

I honestly don't know—certainly an advancement over my present position. Fortunately, there are two methods to advance: experience, which we lack right now, and the exams. In other fields, it's just experience.

Annette

No, I don't know either. People have said that it's your typical desk job, no interaction with people at all, and that I'd hate it. And other people said that it didn't have to be that way at all.

Kevin

I didn't know what to expect when I started—just get that suit and tie and show up! But now I really like what I'm doing. It's not the money so much; I haven't defined my goals particularly in those terms. The satisfaction of learning more is a big part of it.

Bill

That's true. And we are always dealing with people outside our division. You cannot afford to isolate yourself; actuarial science cannot be performed in a vacuum. △

Governmental Accounting Standards Board Formed

The Financial Accounting Foundation (FAF) has established a new organization to develop standards of financial accounting and reporting applicable to state and local government entities. The Governmental Accounting Standards Board (GASB) held its first meeting on June 14, a second meeting is scheduled for August 13-14; also scheduled are four regional meetings to be held in Chicago (July 31), Sacramento (August 2), New York (August 7), and Atlanta (August 9). James Antonio, state auditor of Missouri, has been named chairman.

GASB will be housed in the same building as the Financial Accounting Standards Board (FASB), Stamford, Connecticut, and will share many of its facilities. As it does with FASB, the Foundation will exercise general oversight of GASB, except with regard to the resolution of technical issues. GASB replaces the National Council on Government Accounting.

Included in the agenda for the new organization is pension accounting and financial reporting. A task force will be established to address issues in this area.

Additional information regarding GASB may be obtained from Martin Ives, vice chairman and director of research, Government Accounting and Standards Board, High Ridge Park, P.O. Box 3821, Stamford, Connecticut, 06905.

△

FROM A PAST PRESIDENT

(continued from page 2)

The professional actuary today, as has always been true, will find the greatest happiness in a devoted dedication to his profession and to his work. A genuine love for work is essential for complete satisfaction in the pursuit of a profession. In Gibran's *The Prophet*, we are told what it is to work with love: "It is to weave the cloth with threads drawn from your own heart even as if your beloved were to wear that cloth. It is to build a house with affection even as if your beloved were to dwell in that house. It is to sow seed with tenderness and reap the harvest with joy even as if your beloved were to eat the fruit."

In his essay, the poet further states, "If you cannot work with love but only with distaste, it is better that you should leave your work and sit at the gate of the temple and take alms of those who work with joy. For if you bake bread with indifference, you bake a bitter bread that feeds but half man's hunger. And if you grudge the crushing of the grapes, your grudge distills a poison in the wine."

Your professional experience will involve a chain of relationships, responsibilities, exposures, challenges, and opportunities. For you, your satisfaction will depend upon your imagination, your creativity, your willingness to make decisions, your willingness to effect

and accept change and an attitude that, in fact, enables you to work with love.

And, putting it all together, one can speak with considerable confidence these poetic words:

I am tired of sailing my little boat
Far inside the harbor bar
I want to go out where the big ships
float
Out on the deep where the great
ones are
And should my frail craft prove too
slight
For the storms that sweep the billow
o'er
I'd rather go down in a stirring fight
Than browse to death on a sheltered
shore.

Thomas P. Bowles, Jr. was president of the Academy 1975-76.

Correction

"Modern Insurance 1900-1910: The Saga Continues" in June's *Actuarial Update* should have said that the three largest mutual companies had a joint income of \$250 million, not billion. *The Update* regrets the error.

MODERN INSURANCE

(continued from page 5)

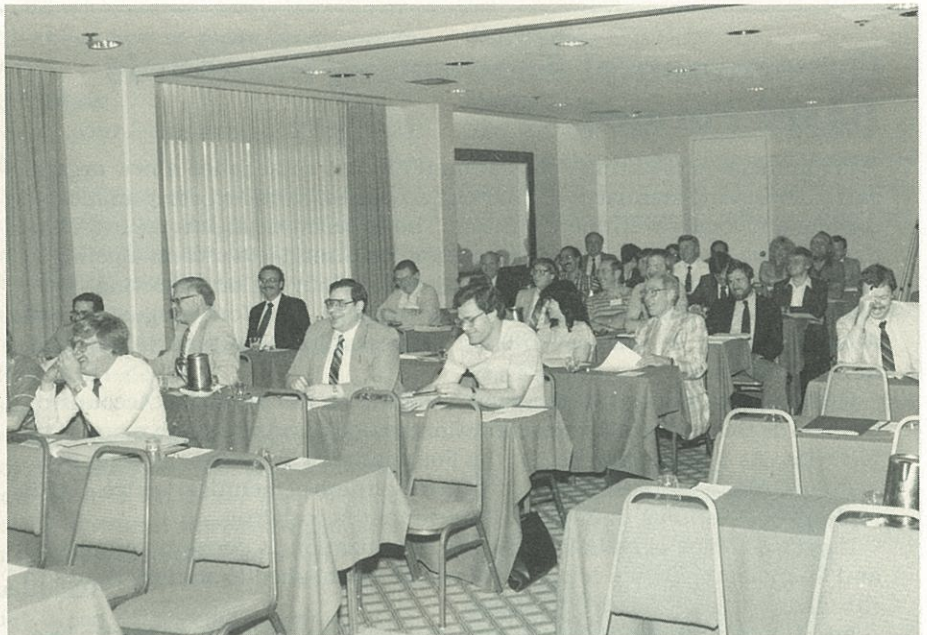
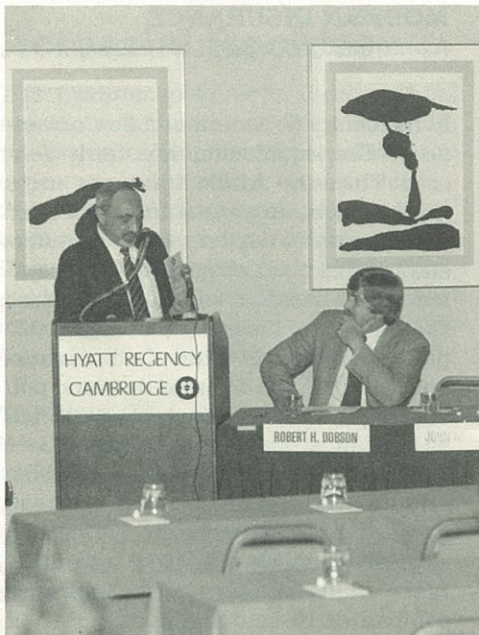
in the book *The American Life Convention*, "One conclusion was fairly general: That the whole unsavory mess would not be in vain if from the odor should arise a better popular understanding of the deferred dividend system which had done so much to increase the expense of life insurance and so little to increase the value of a life insurance policy." The deferred dividend policies of the tontine form were prohibited as a result of the investigation.

Superintendent Hendricks testified and, while revealing nothing new, exposed his department's failings by relating episodes of neglect and ignorance in its dealings with insurance companies. He said the department had been concerned virtually only with a company's solvency and not with how that company conducted its affairs.

The results of the investigation were many and far-reaching. Many periodicals called for criminal prosecutions and strong legislation to monitor insurance. *Colliers* magazine said, "It is not merely insurance corruption that we have to deal with now—it is the very essence of corruption itself, infecting the whole fabric of our commercial life, debauching our politics, and rotting the entire structure of our democratic government."

Among the reforms urged by the Armstrong Committee and later adopted (to some degree at least) were: participation by policyholders in the administration of their insurance companies, an extension of the insurance department's powers over insurance companies, publicity of insurance companies' affairs for the benefit of policyholders, accounting methods that were easier to review, uniform systems of audits, more safeguards against forfeiture, prohibition of control of insurance companies over subsidiary financial institutions, and restrictions on investment into ventures requiring great speculation. The committee's report urged that there be no stockholders, no syndicates, no deferred dividends, no campaign gifts, and that policyholders be allowed to sue their insurance companies. Said New York Governor Higgins in April 1906, after a number of bills had been signed concerning insurance: "The legislative session of 1906 will go down in history as the year of great insurance reforms."

△



Panelists Jack H. Esterkin (l) and Robert H. Dobson address new qualified health service corporation actuaries about Academy activities. M. Stanley Hughey and John A. Fibiger, not pictured, were also on the panel. The Boston meeting was sponsored by the Committee on Health. Of the seventy-five qualified health service corporation actuaries eligible to become members of the Academy, at this writing, seventy-one have applied for membership.

Report: Non-Routine Board Actions

by Carl R. Ohman

The Board of Directors of the American Academy of Actuaries took the following non-routine actions at its meeting on June 12, 1984:

- The board received a report on the audit of the Academy's 1983 financial statements and approved retention of the present auditors, Main Hurdman, for the 1984 audit.
- The board reviewed the report of the Committee on Planning, adopted the goals stated in the report, and approved, in principle, recommendations of the Executive Committee as to priorities and proposed actions for implementation.
- The board heard a progress report from the Standards Implementation Committee and approved actions needed to provide for the interim management of standards activities prior to the formation of the Interim Actuarial Standards Board.
- The board heard a report from the Committee on Discipline on current operations, as well as plans for improved performance of the committee and the discipline process.

- The board adopted the revised Guides to Professional Conduct, which had been previously exposed to members. The board authorized exposure to the members of proposed revisions to Opinions A-1 and A-2.

The report of the Committee on Planning referred to above, titled the 1984-1987 Strategic Plan, is available from the Washington office without charge. Δ

IRS/Unisex Tables

The Internal Revenue Service (IRS) recently issued rules on the actuarial tables and interest factors used for valuing annuities, life estates, terms of years, remainders and reversions for purposes of federal income, estate, and gift taxation. New tables replace the 6% tables currently prescribed in existing regulations and eliminate the distinction between male and female mortality by providing tables that are gender neutral.

The IRS is also considering changes to the tables used in reporting payments received on annuity contracts under IRS Section 72. Current tables are sex distinct; projected tables would be unisex. Proposed regulations are expected to be published in the *Federal Register* at the end of August. Δ

Health Standards Committee Established

At its June 12 meeting the Board of Directors authorized the appointment of a committee to develop standards of practice in the health area. This action is an important implementation step in the development of a more comprehensive standards program, since the Academy has not had any standards committee in the health area.

Committee members are Ronald M. Wolf, chairman, Larry M. Gorski, Matt B. Jones, Jr., Raymond F. McCaskey, and Irwin J. Stricker.

The committee intends initially to address such issues as reserving, self-insured programs, and statements of actuarial opinion. Other projects will be undertaken as the committee establishes its priorities. Δ

Mark Your Calendar

Plan now to attend the 1984 Annual Meeting of the American Academy of Actuaries. Scheduled in conjunction with the Casualty Actuarial Society's annual meeting, it will take place November 12 and 13 at The Westin Hotel, Copley Place, Boston. Details will follow.