Charting the Course

The American Academy of Actuaries at 50

American Academy *of* Actuaries

Objective. Independent. Effective.™

Printed in the United States of America

First Printing, 2015

ISBN 978-0-9968414-0-5

American Academy of Actuaries

1850 M Street NW

Suite 300

Washington, DC 20036

actuary.org

CONTENTS

DEDICATION

DANIEL McCARTHY was president of the Academy in 2001-2002, and until his untimely death in 2008, had served as the association's first international secretary, representing the U.S. actuarial profession on the international stage. In this role, he made extraordinary contributions to the actuarial profession. He also served in 2006 and 2007 as the chairperson of the Actuarial Foundation, a philanthropic organization that serves the public by developing education and research programs that harness the talents of actuaries. The Academy dedicates this volume to the memory of Daniel McCarthy.

CELEBRATING 50 YEARS

AMERICAN ACADEMY OF ACTUARIES

Objective. Independent. Effective.™

IN 2015, THE AMERICAN ACADEMY OF ACTUARIES celebrates its 50th anniversary as the leading voice of actuaries in the United States and the organization charged with safeguarding the professionalism that is at the heart of actuarial practice. From its unique role in uniting the profession 50 years ago to foster the accreditation of actuaries to its vital job in shaping and informing public policy today, the history of the Academy is deeply entwined with that of a profession that has been essential to the security and prosperity of Americans.

WHAT IN THUNDER IS AN ACTUARY?

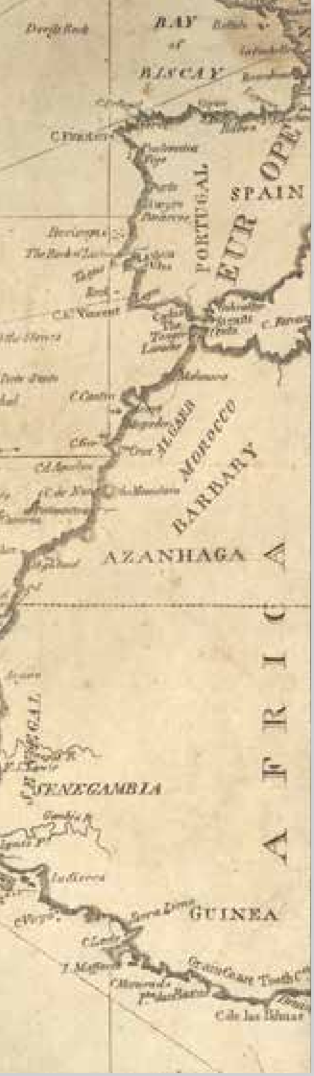
THE ACTUARIAL PROFESSION in the United States is almost as old as the nation itself. From its beginnings, efforts to statistically assess risk, set premiums, and develop reserve standards were essential to the country's nascent insurance industry, as property and life insurance products were created to reduce life's uncertainties and allow commerce to thrive. And from the beginning, the profession was fortunate to attract the participation of farsighted individuals who saw its importance to the country and its people, as well as the need for rigorous standards.

The first person to call himself an actuary in the United States was a mathematician and astronomer from Salem, Massachusetts, named Nathaniel Bowditch. Bowditch was a famed navigator who is credited with developing modern maritime navigation. His book, *Bowditch's American Practical Navigator*, first published in 1802 and updated numerous times since, set the standard for the shipping industry for the next 150 years and is

Nathaniel Bowditch Memorial by Robert Ball Hughes,
Mount Auburn Cemetery

Map from *Bowditch's American Practical Navigator*

still considered the bible of sea navigation. When Bowditch retired from his seafaring adventures in 1804, he became president of the Essex Fire and Marine Insurance Company in Salem, where he took the title of actuary. He held the title for the next 30 years, first at Essex Fire and Marine and later at Massachusetts Hospital Life Insurance Company despite efforts to lure him away to chair the mathematics departments at Harvard University, the U.S. Military Academy, and the University of Virginia.



Another early pioneer of the profession was Jacob Shoemaker, one of the founders of the Pennsylvania Company for Insurance on Lives and Granting Annuities, which in 1812 became the first commercial life insurance company in the country. Shoemaker was a student of 18th-century British efforts to use probability and mortality data to calculate premiums for life insurance policies. He was so enthralled with the fledging profession that he passed over the presidency of the Pennsylvania Company to become the company's actuary. Shoemaker created a mortality table based on vital statistics collected from the Episcopal Church and the Philadelphia Board of Health. His table was used to set premiums for the company's policies, claims on which were payable within 60 days, but would be denied, the company noted, in cases of either suicide or dueling. For his work, Shoemaker is considered the first practicing company actuary in the United States.

Despite the efforts of actuarial pioneers like Bowditch and Shoemaker, the U.S. insurance industry grew by fits and starts in the 19th century, hampered by company failures that eroded the public's faith that claims would be

Jacob Shoemaker

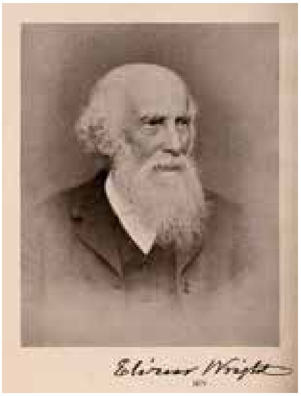
Shoemaker's mortality table was used to set premiums for the company's policies, claims on which were payable within 60 days, but would be denied, the company noted, in cases of either suicide or dueling.

paid. There were 34 chartered insurance companies in the United States in 1844, but about a decade later more than half were bankrupt due to poor business practices.

Elizur Wright was among the first to suggest the creation of an organization of actuaries to govern the profession. He proposed the idea in 1867, but professional rivalries prevented it from becoming a reality for another 20 years.

In 1858, Massachusetts established the first state insurance department to regulate the industry and increase consumer confidence. It tapped Elizur Wright, the actuary for the successful New England Mutual Life Insurance, the nation's first mutual life insurance company, as its commissioner. Wright was another farsighted pioneer of the actuarial profession who established solvency and reserve standards for insurers and regulations for policyholder withdrawals. He also developed nonforfeiture provisions that would become standard throughout the industry.

Because there were no professional standards for actuaries at the time, Wright was among the first to suggest the creation of an organization of actuaries to govern the profession. He proposed the idea in 1867, but professional rivalries prevented it from becoming a reality for another 20 years. In 1889, a well-known consulting actuary named David Parks Fackler decided the time was ripe to organize the profession. He put out a call to the approximately 100 actuaries practicing in the United States to meet in New York City to form a society. On


Elizur Wright

March 7, 1889, 27 actuaries met at the Astor House to form the Actuarial Society of America, the first professional actuarial organization in the United States. In 1896, it began offering examinations to certify the professional qualifications of actuaries.

The profession grew steadily over the next quarter century as the nation continued to industrialize and commercialize and business interests spread from the Northeast throughout the rest of the country. By 1909, the Actuarial Society of America had nearly 400 members. That same year, the American Institute of Actuaries was formed in Chicago to represent actuaries in the rapidly growing Midwest and West. In 1914, the Casualty Actuary Society was formed to represent actuaries active in the new field of workers' compensation, followed by the actuaries of fraternal societies, who formed the Fraternal Actuary Society in 1916.

By the start of World War I, the actuarial profession was firmly established. As David Parks Fackler recalled on the 25th anniversary of the Actuarial Society of America, the profession had come a long way since the organization's founding in the 19th century. He recalled one long-ago ribald burlesque play that poked fun at the life insurance industry by having a character ask, "What in thunder is an actuary?" But now, said Fackler, "Practically all intelligent people understand what an actuary is about as well as they do what a lawyer is." ▲

Astor House

David Parks Fackler recalled one long-ago ribald burlesque play that poked fun at the life insurance industry by having a character ask, "What in thunder is an actuary?" But now, said Fackler, "Practically all intelligent people understand what an actuary is about as well as they do what a lawyer is."

UNIFYING A PROFESSION

THE NEXT DECADES of the 20th century saw a tremendous increase in the need for actuarial services, as new insurance products and pensions became an increasingly important part of American life and the security of the growing middle class. From the creation of the U.S. Social Security program in the 1930s during the depths of the Depression, to the growth of private pension plans, to the proliferation of health insurance after World War II, the profession needed to expand and evolve to meet the new challenges of creating and administering these benefit plans. It was during the war that the U.S. government, in the form of the War Manpower Commission, first asked the Actuarial Society of America and the American Institute of Actuaries to define “actuary” for the government, attesting to the profession’s growing importance to public administration.

During this time, actuarial societies also evolved to meet the needs of the profession. In 1949, the two societies representing primarily life insurance and pension actuaries, the Actuarial Society of America and the American Institute of Actuaries, merged to form the Society of Actuaries (SOA) as the 19th-century limits of geography and communications that spurred the need for two separate organizations waned. In 1950, the Conference of Actuaries in Public Practice was founded.

But the proliferation of actuarial societies posed a conundrum. While specialized societies were needed to represent the various facets of the profession and to provide appropriate research and training, the profession lacked a unified voice at the national level or a generally agreed-upon set of basic qualifications for actuarial competency. As essential as actuaries had become to the functioning of modern insurance and pension products, there was no certification or licensing for actuaries similar to what was required of lawyers or other professions that exercised a similar degree of responsibility.

Henry Rood

Once again a farsighted individual was on hand to guide the profession. In a 1958 address to the SOA, Henry Rood, chief actuary for Lincoln National Life Insurance and the president of the society, put out a clarion call to the profession to change from what he later called "a private, inward-looking, narrowly focused group of experts to that of a profession recognized by and accountable to the public."

Rood put out a clarion call to the profession to change from what he later called "a private, inward-looking, narrowly focused group of experts to that of a profession recognized by and accountable to the public."

Rood noted that there were 117 million people in the United States and Canada insured by life insurance companies and 18 million people counting on private pensions for their retirement. "What is our responsibility as individuals and as members of the Society of Actuaries to see that the hopes and plans of these millions of citizens are not frustrated because of pseudo-actuarial practices that are unsound?" he asked, the question springing from what was obviously a deeply personal interest in the future of the profession.

Then he said, "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."

"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."

—Henry Rood

The question of some type of accreditation for actuaries was becoming increasingly urgent with the passage of disclosure laws for employee benefit plans, which had grown tremendously since the 1940s. The federal Welfare and Pension Plans Disclosure Act, as well as similar state laws, required the publishing of reports on income and disbursements to prevent fraud and abuse. As Rood told his fellow actuaries, the federal law required the publication of an annual report "sworn by an administrator, or certified by an independent certified or licensed public accountant" that included "the type of basis of funding, actuarial assumptions used, and the amount of current and passive liabilities." To Rood, this clearly was an actuarial report. However, he said, there was no requirement that "such an actuarial report be made by a competent actuary."

The profession was at a crossroads. Just when the insurance products and pensions that actuaries had safeguarded for some 150 years were becoming central to American life, actuaries were in danger of being eliminated from the picture. To Rood, the solution was clear. Shouldn't the profession, he asked, take the responsibility to "educate the public to recognize qualified actuaries" and "advocate governmental licensing or certification of actuaries?"

"Many professional men, including doctors, lawyers and engineers, are required to have state licenses to practice, which others, such as accountants, may be certified," he noted. "But it will not be enough to secure legal recognition of qualified actuaries. The public must be educated to appreciate that a 'Certified Actuary' has passed rigorous tests and is full qualified," he said. And beyond that he said, "We must convince bankers, employers, government agencies, and union leaders that they should seek actuarial advice from qualified actuaries only."

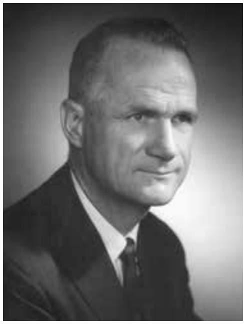
That same year, under the direction of Reinhard Hohaus, the chief actuary of the Metropolitan Life Insurance Company and a former adviser to the U.S. Senate on Social Security, the Committee to Investigate Possible Certification or Licensing of Actuaries was founded. As a result of exploratory conversations with New York state licensing officials, Hohaus concluded that state licensing bodies would be reluctant to grant recognition or special privileges to a subdivision of the actuarial profession, which suggested that the profession would need to be unified in some way to in order to gain broader recognition for actuaries.

In 1961, Hohaus led a panel discussion on the future of the actuarial profession with William Leslie, head of the Casualty Actuary Society, and Edward Brown, head of the Conference of Actuaries in Public Practice, that was the genesis of joint discussions on creating an organization to unify the profession. John Miller, vice president and actuary for the Monarch Life Insurance Company and a member of the SOA's Committee on Professional Status, proposed to the Hohaus committee the creation of a "new organization encompassing, but not replacing, all of the existing actuarial organizations" that would establish and maintain professional standards, conduct a public relations program, and represent the profession with government officials.

On February 18, 1963, representatives of the SOA, including Rood and Miller, the Conference of Actuaries in Public Practice, the Casualty Actuarial Society, and the Fraternal Actuarial Association met and agreed to create a Joint Committee on the Organization of the Actuarial Profession, with Rood as its chair. The participants agreed to "explore means of obtaining legal accreditation of actuaries in the United States, including the development of plans for creating a national association of actuaries" to consider matters of common interest, including:

The profession was at a crossroads. Just when the insurance products and pensions that actuaries had safeguarded for some 150 years were becoming central to American life, actuaries were in danger of being eliminated from the picture.

- establishment and maintenance of adequate professional standards of actuarial practice to ensure the protection of the public's interest;
- establishment and enforcement of a code of professional conduct; and
- execution of a public relations program aimed at acquainting the public with the services and responsibilities of actuaries and attracting to the profession a sufficient supply of actuarial students seeking to qualify for practice.



John Miller

With broad agreement as to the objectives of the new association, time was now of the essence. Rood was pushing for a plan to be presented at the fall 1963 SOA meeting and noted that the other organizations felt a similar urgency. "I sense that the consultants feel a sense of urgency to move forward rapidly because of various actions recently taken by the certified public accountants," he wrote in April.

The first meeting of the Joint Committee on Organization of the Actuarial Profession was held on April 24, 1963, and laid out the basic structure of a new organization representing the entire profession, including membership requirements, bylaws, governing board and officers, meetings, finances, committees, and a process for disciplining members. Within a month, the committee was discussing the finer points of whether the new organization should pursue certification, accreditation, or licensing for actuaries, and an appropriate name. As Rood recalled:

> "The name 'American Academy of Actuaries' was decided on at the meeting held May 28, 1963. Since the Canadians were pursuing their own efforts at accreditation, it appeared that the name 'American' should be used in our association. 'Actuaries' was, of course, self-evident. After considerable discussion in which we eliminated such terms as 'association,' 'institute,' 'organization,' and 'society,' we reached the decision that our name should connote some form of education and the words 'college,' 'faculty' and 'academy' were discussed. We finally arrived at the word 'academy' as best indicating the education

background that would be required for membership in our new organization."

And so the concept of the American Academy of Actuaries came into being in late May 1963 as way to offer actuarial accreditation that would be recognized across specialties by state and federal officials.

Now the Joint Committee on Organization of the Actuarial Profession turned its attention to the most direct route for gaining recognition. The initial idea was to seek a federal charter, which would give the new organization weight with both state and federal officials. The Joint Committee hired James Donovan, a lawyer who was active in casualty insurance and had recently been in the news as the key negotiator in the release of downed U-2 spy plane pilot Gary Powers, to lobby Congress for the charter. By the end of the year, plans were being made to present the proposal for the new organization to the members of the constituent organizations, with the stipulation that "the new actuarial body is not intended to replace any of the existing organizations." Each which would "continue to set its own standards for membership and will be recognized in those fields where its members excel."

Still feeling a sense of urgency, Rood hoped to get approval from the various organizations by spring so Congress could approve the Academy's charter before it adjourned for the summer. Subcommittees worked furiously to draft bylaws, a charter, membership requirements, and model legislation for state legislatures, which would be asked to pass laws requiring the accreditation of actuaries and stating that "no individual shall engage in the public practice of actuarial science or shall represent himself as an actuary" without accreditation.

On February 14, 1964, the Joint Committee notified all actuaries in the United States of "plans to organize a new actuarial body, the American Academy of Actuaries, with the expectation that membership in the Academy may be

And so the concept of the American Academy of Actuaries came into being in late May 1963 as way to offer actuarial accreditation that would be recognized across specialties by state and federal officials.

recognized as a satisfactory standard of accreditation for an actuary." The need, said the committee, was urgent, as accountants increasingly were being recognized as the experts to certify insurance company statements and stockholder reports:

> "It is imperative that something be done about accreditation immediately. We have no one standard which can be pointed to as the standard or the identification mark of an accredited actuary. We have been complacent and have assumed that anyone needing actuarial knowledge or certification would come for it to those who in our opinion have those qualifications.
>
> Individuals without actuarial qualifications are calling themselves actuaries and we have been doing nothing to prevent it. We have permitted organizations which have no actuaries associated with them to call themselves actuarial consultants. Individuals certified in other fields have felt free to express opinions on actuarial matters."

Copies of the proposed charter, bylaws, election procedures, and committees were included for review. Local actuarial clubs were invited to hold meetings to discuss the proposal. The biggest question still open and the one that posed the greatest potential stumbling block to the new organization was what the qualifications for membership should be. The Joint Committee said that "the ultimate goal should be a requirement high enough to satisfy the federal and various state governments, that the public would be adequately protected, and that an experience requirement as well as demonstration of knowledge by examination should be included." At the same time, the committee didn't want to omit from the Academy long-practicing actuaries "who have demonstrated their competence, however attained."

Rood had noted a similar concern in his 1958 address, saying it would be unfair to exclude actuaries who had "served the life insurance companies

On February 14, 1964, the Joint Committee notified all actuaries in the United States of "plans to organize a new actuarial body, the American Academy of Actuaries, with the expectation that membership in the Academy may be recognized as a satisfactory standard of accreditation for an actuary."

and the public competently for many years" but may not have passed a technical mathematical examination. He said a plan that "would enable all 'qualified actuaries' to belong to the same organization would strengthen our profession and would make us all better actuaries." As such, the Joint Committee recommended that actuaries who "had professional experience in rendering actuarial services of a grade and character satisfactory to the Board" be grandfathered in to the organization up to a certain date, after which all new members would be required to pass an examination.

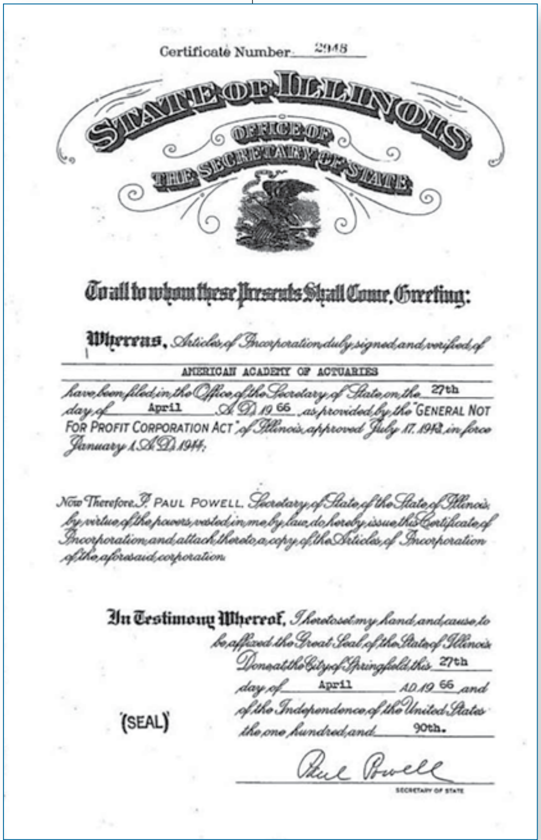
The proposal for the new organization, said Rood, "had exceptionally good response and there seem[ed] to be great enthusiasm." Between mid-April and mid-May 1964, the boards of the four U.S. actuarial organizations voted to accept the proposals of the Joint Committee following review and comment from members of the profession. When it became apparent that the bill to obtain a federal charter was bogged down in Congress, the Joint Committee decided to organize the American Academy of Actuaries as an unincorporated association in the state of Illinois, at least temporarily. They scheduled a meeting of the future founders at the offices of the Sun Life Assurance Company in Montreal.

And so on October 25, 1965, shortly after 4 p.m., the American Academy of Actuaries was founded, with Henry Rood, who was now president of Lincoln National Life, as its first president.

On October 25, 1965, shortly after 4 p.m., the American Academy of Actuaries was founded, with Henry Rood as its first president.

The members of the four U.S. actuarial organizations who were qualified as fellows were automatically enrolled in the new organization, subject to their right to decline. Non-fellows of the organizations could apply by filling out a "simple application setting forth affiliation and experience." Actuaries who weren't members of any of the organizations had to complete a more extensive application detailing their education, experience, and grades, and provide two recommendations. The Academy had 1,466 charter members and dues were set at $10 per year.

When it became apparent that a federal charter would be unlikely because President Lyndon Johnson had recently vetoed a similar request, the Academy was formally incorporated as a nonprofit corporation in Illinois on April 27, 1966. In the long run, the structure of a nonprofit gave the Academy significantly more flexibility as a self-regulated professional organization than it would have had under a federal charter, noted Walter Rugland, whose father Walter Rugland was the fifth president of the Academy and on its founding committee. The founding of the Academy also changed the way that actuaries viewed themselves, he noted. “I think before the Academy, they thought of themselves as having the equivalent of a PhD and being very smart and having a good job or a track to an executive position. I don’t think they really thought of themselves as much as professionals, but as individuals within companies or consulting firms who did really smart work. I think that when the Academy came on board, we realized that we were important to clients, that we were important to the public, and that there was more to being an actuary than being an employee—that we had responsibilities beyond our employer to the public,” said Rugland, who received the Jarvis Farley Service Award in 2003 to mark his many years of service to the Academy in work related to qualifications and life issues.



Certificate Number 2948

STATE OF ILLINOIS
OFFICE OF
THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, Articles of Incorporation duly signed and verified of AMERICAN ACADEMY OF ACTUARIES have been filed in the Office of the Secretary of State on the 27th day of April A.D. 19 66 as provided by the "GENERAL NOT FOR PROFIT CORPORATION ACT" of Illinois, approved July 17, 1943, in force January 1, A.D. 1944;

Now Therefore, I, PAUL POWELL, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this Certificate of Incorporation and attach thereto a copy of the Articles of Incorporation of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois. Done at the City of Springfield this 27th day of April A.D. 19 66 and of the Independence of the United States the one hundred and 90th.

(SEAL)

Paul Powell
SECRETARY OF STATE

The Academy was incorporated as a nonprofit corporation on April 27, 1966.

With the organizational structure decided and the new organization launched, the first annual meeting of the American Academy of Actuaries was held in Bal Harbour, Florida, on October 31, 1966, by which time membership stood at 2,136. ▲

KEY DATES IN THE EARLY HISTORY OF THE U.S. ACTUARIAL PROFESSION

1804 Nathaniel Bowditch takes the title of Actuary at the Essex Fire and Marine Insurance Company in Salem, Mass.

1809 Jacob Shoemaker becomes first practicing company actuary at Pennsylvania Company for Insurance on Lives and Granting Annuities in Philadelphia, Pa.

1848 The Institute of Actuaries of Great Britain founded in London

1859 First State Insurance Department created in Massachusetts with actuary Elizur Wright of New England Mutual Life Insurance as the first state Insurance Commissioner

1889 Actuarial Society of America founded in New York City

1895 Emma Warren Cushman elected first women member of the Actuarial Society of America

1896 The Actuarial Society of American institutes examinations for actuaries

1909 American Institute of Actuaries founded in Chicago

1914 Casualty Actuarial Society founded in New York City

1916 Fraternal Actuarial Society founded in Chicago

1944 War Manpower Commission asks presidents of Actuarial Society of America and American Institute of Actuaries to define “actuary” for U.S. government

1949 The Actuarial Society of America and American Institute of Actuaries merge to form the Society of Actuaries

1950 Conference of Actuaries in Public Practice founded in Chicago

1958 Society of Actuaries President Henry F. Rood addresses actuaries on urgent need for increased recognition and certification of profession

1961 Panel discussion on the future of the actuarial profession at Society of Actuaries meeting leads to formation of a Joint Committee on Organization of the Actuarial Profession by the Society of Actuaries, Casualty Actuarial Society, Fraternal Actuarial Society, and Conference of Actuaries in Public Practice

April 24, 1963 First meeting of the Joint Committee on Organization of the Actuarial Profession

May 28, 1963 Name “American Academy of Actuaries” selected for proposed organization

Feb. 14, 1964 Joint Committee notifies all actuaries in United States of intent to form new umbrella organization for profession

April 15, 1964 All U.S. actuaries receive draft of charter, bylaws, and election procedures for proposed American Academy of Actuaries

April 22, 1964 Society of Actuaries endorses formation of American Academy of Actuaries

May 19, 1964 Conference of Actuaries in Public Practice becomes final U.S. actuarial organization to endorse creation of American Academy of Actuaries

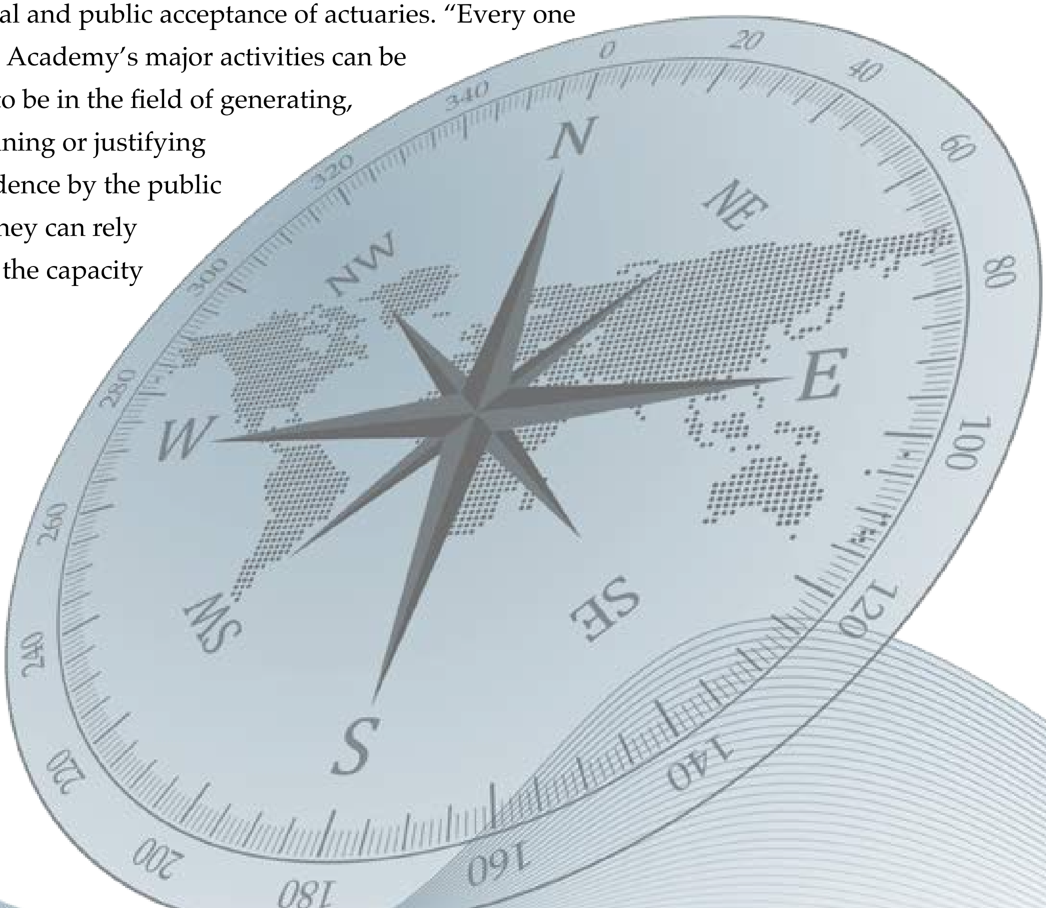
Oct. 25, 1965 American Academy of Actuaries founded in Chicago; Henry F. Rood elected first president

April 27, 1966 American Academy of Actuaries incorporated as nonprofit corporation in Chicago

Oct. 31, 1966 American Academy of Actuaries holds first annual meeting in Bal Harbour, Fla.

ORGANIZATION AND OPTIMISM

THE EARLY YEARS of the American Academy of Actuaries focused on developing the policies, structures, and relationships that would allow the organization to fulfill its mission. But as Henry Rood had warned, it would take "some years" to implement a program of legal and public acceptance of actuaries. "Every one of the Academy's major activities can be seen to be in the field of generating, sustaining or justifying confidence by the public that they can rely upon the capacity



and probity of the actuary," said Academy President Earnest Moorhead in 1974.

Important milestones in this area included the first Code of Professional Conduct for actuaries, published with the SOA in 1970, and the creation by the Academy Board of Directors in 1973 of a Disciplinary Board, two steps that were widely regarded as necessary for the Academy to be considered a recognized accrediting body.

The process of obtaining accreditation for members of the profession from government agencies at the state and federal level was a main focus. In the first few years of the Academy's existence, the strategy for gaining accreditation was an attempt to lobby state legislatures to pass laws requiring such accreditation. The passage of a bill in Indiana that called for certification by a board of certified actuaries was considered the first step in this direction. However, as Moorhead noted, "The certification procedure was found to be troublesome in practice, especially for the casualty business and by reason of multi-state practice and the related problems of reciprocity." So the strategy was changed to seeking "administrative action in the form of regulation or ruling by the insurance commissioner or other appropriate state official."

In 1968, a major step in that direction was taken when the National Association of Insurance Commissioners (NAIC) required that life insurance company annual statements be signed by a "qualified actuary," and stipulated that a member of the Academy would be considered qualified. "Our whole goal on the life insurance side at that time was to work very hard convincing regulators that they could rely on the opinion of an actuary and that they didn't have to rely on legislation or other regulatory approaches to actuarial soundness and solidity," noted Walter Rugland.

By 1973, 14 states recognized membership in the Academy for qualifying purposes for signing life and health insurance annual statements and eight states

Earnest Moorhead

By 1973, 14 states recognized membership in the Academy for qualifying purposes for signing life and health insurance annual statements and eight states recognized membership as qualifying purposes for certifying public employee retirement systems.

recognized membership as qualifying purposes for certifying public employee retirement systems.


Raymond Strong

The creation of a formal accreditation for actuaries had other important consequences for the profession. These included increased cooperation with other professions such as accountants and the need for concerted liaison with government officials about the capabilities of the actuarial profession, noted Academy President Raymond Strong in 1971, as government officials increasingly looked to the Academy as experts on public policy issues. In 1969, Joseph Musher, a member of the Academy's first Board of Directors, was appointed by the Secretary of Labor to the federal Advisory Council on Employee Welfare and Pension Benefit Plans. In 1973, the Academy was asked to testify to Congress for the first time, and provided testimony on the proposed Employee Retirement Income Security Act (ERISA) and the necessity of utilizing qualified actuaries to ensure the security and soundness of private pension plans. The committee noted that the Academy was regarded as the "organization with the most rigorous standards" for membership and recommended that Academy membership or its equivalent be recognized as the "basis for certifying actuaries under the Act."

The Academy was now the face of the profession. Richard Congleton, who served as Washington counsel for the Academy in the early 1970s, reported that the Academy was now "recognized as the one single organization which represents the whole actuarial profession. … There are now a relatively large number of members of the Academy occupying actuarial positions in departments of government and regulatory agencies on both federal and state levels."

On an administrative level, the early years were filled with the painstaking work of creating an organization from scratch. The establishment and administration of fair grandfathering procedures turned out to be an enormous task, absorbing "the energies of several successive hard-working admissions committees." By 1973, some 400 practicing actuaries had been admitted to the Academy under the grandfathering provisions, bringing total membership to 3,270. Similarly, the early Academy leadership worked closely with the other actuarial bodies to create a streamlined system of administering jointly sponsored qualifying exams.

At the end of 1973, with some of the early organizational bumps overcome, Academy President Moorhead could state that the "Academy had come into its own" and had "entered upon a broader and much more intense level of activity." He praised the organization's early leaders who had "helped steer the good ship Academy on a true course and to watch its sails billow full as we gain headway for a successful voyage." But the seas that Moorhead saw the Academy sailing on so confidently were about to become very turbulent. ▲

But the seas that Moorhead saw the Academy sailing on so confidently were about to become very turbulent.

CREATING SECURITY IN TURBULENT TIMES

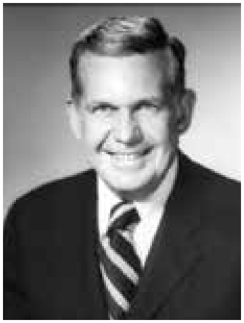
THE NATION WOULD FIND ITSELF increasingly calling upon actuarial expertise as the 1970s progressed, due to both extraordinary social challenges and new regulations designed to ensure Americans' financial security. A period of relatively unbroken postwar prosperity was brought to a halt by the oil crisis that rocked the global economy and the period of "stagflation" that followed, just as the political turmoil of the Watergate scandal caused many to doubt the government's integrity. "Any era of extraordinary financial and political turbulence—any time when people view the future with unusual doubt and pessimism—is bound to be a testing time for the actuary," warned Academy President Daniel McNamara. "We, more than any other calling that one can easily name, bear the responsibility of advising people how to make provision for the distant future," he wrote.

At the same time, much of the early work of the Academy in ensuring that actuaries were the experts who were looked to for opinions on the soundness of insurance products was paying off. The landmark 1974 ERISA measure set national minimum standards for private pension and health insurance plans and established extensive, specific standards for actuarial reports and for the qualifications of actuaries in pension work. It created the designation of "enrolled actuary," an actuary licensed by a joint board of the Treasury Department and the Labor Department to perform a variety of actuarial tasks required of pension plans.

In 1975, actuaries signing life insurance company annual statements began to be required to express an opinion on the actuarial elements, including an opinion on the adequacy of reserves. A similar requirement was added for property and liability insurance company annual statements in 1979 and would be expanded to health service corporations and health maintenance organizations in 1983.

The input of the Academy was needed in implementing these new regulations and making sure that the profession was ready to respond appropriately. At the time, however, the Academy had only a small administrative staff in Chicago, located in the SOA offices, and much of its work was being done by volunteers. Clearly this would need to change.

"It was just impossible to do everything on a volunteer basis," said Steve Kellison, who was hired as the Academy's first executive director in 1976. Kellison opened up a new office in Washington that reflected the increased need for a professional staff to coordinate and augment the efforts of the Academy's many volunteers and a presence for the profession at the center of policymaking related to actuarial



Daniel McNamara

"Any era of extraordinary financial and political turbulence—any time when people view the future with unusual doubt and pessimism—is bound to be a testing time for the actuary."

—Daniel McNamara

matters. "The mid-1970s were a real time of awakening for the profession. ERISA revolutionized pension actuarial work. Insurance regulations were putting more responsibility on actuaries," recalled Kellison. "The Academy realized that if it was going to achieve what it wanted to do in the public arena, it needed to be in Washington and it needed to have some professional staff," he said.

Staffing of the new office was expanded over the next few years to reflect the increased presence and activity of the organization: a communications specialist was added in 1977, a staff lawyer in 1979, a director of administration in 1980, and a director of public information in 1981. In 1982, the Academy began publishing its monthy newsletter, *The Actuarial Update.* In September 1980, the Fraternal Actuarial Association, one of the Academy's four founding organizations, went out of existence. As a result, by the early 1980s, the Academy existed largely in its modern incarnation, which was reflected in a revised Statement of Purpose:

- Establish, promote and maintain high standards of competence, conduct and practice within the actuarial profession.
- Stimulate and encourage the advancement of the knowledge and the methods
  of practice in the actuarial profession.
- Encourage and promote public understanding of the nature and scope of actuarial science.
- Provide for communication between actuaries and the public on questions of qualification, certification or licensing, and identification of actuaries.
- Represent the actuarial profession in areas of public issues and discussions involving actuarial concepts.
- Coordinate and interact with other professions and organizations in areas where joint participation can contribute to fulfilling public needs. ▲

PROFESSIONALISM INTO PRACTICE

BY THE MID-1980s, the profile of actuaries had risen to the point where actuarial expertise was being sought in a variety of regulatory measures for a wide range of services pertaining to benefit plans and insurance issues—so much so that an avalanche of professional standards threatened to overwhelm actuaries. As Executive Director Kellison recalled, actuarial practice standards were being developed on an as-needed basis by various Academy committees and approved by the Board. "We were getting ad-hoc standards that were responsive to specific regulatory issues, such as pensions. All kinds of standards started to come in, but they were a hodgepodge; they were written in different styles and by different groups. There wasn't an overall game plan, and it was getting unwieldy," he said.

Clearly there was a need for a centralized clearinghouse body for actuarial standards that represented the best practices of the entire profession and could

approve standards in a timely manner. “We could see that there was enough important work to be done that it needed to be concentrated in a group that could spend a lot of time on it and didn’t have to go through the Academy board,” said Kellison.

In 1985, the Academy created an interim Actuarial Standards Board to fill that role. In 1988, it was succeeded by a permanent Actuarial Standards Board (ASB) consisting of actuaries from a broad range of practice areas and housed at the Academy. The ASB develops actuarial standards of practice (ASOPs) that identify what an actuary should consider, document, and disclose when performing an actuarial assignment. (The ASB adopted the 50th such ASOP in 2015.)

The ASB develops actuarial standards of practice (ASOPs) that identify what an actuary should consider, document, and disclose when performing an actuarial assignment.

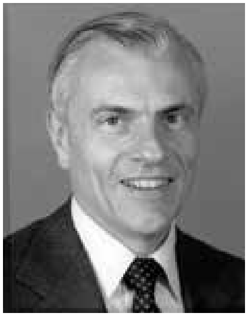
The ASB was a “real milestone in the evolution of the actuarial profession, which has great potential to further clarify and solidify the reputation of the actuary as a true professional,” noted James Murphy, executive vice president of the Academy at the time. “The profession needs to speak with one voice, if it is to be heard over the strident and sometimes emotional din of the public policy arena,” he told members.

However, Murphy noted, “the ASB can only be effective if it is supported by a recognized and effective discipline process tied to the ASB’s standards of practice and guides to professional conduct.” To that end, in 1991 the Academy created the Actuarial Board for Counseling and Discipline (ABCD) to investigate alleged violations of professionalism standards and report back to participating member associations and provide counseling on thorny actuarial issues. Like the ASB, the ABCD is comprised of a broad representation of actuaries. “There was a unanimous groundswell of positive feeling that it was absolutely the right thing to do—and furthermore that the Academy was the right place to house those very important functions for the profession,” recalled Larry Zimpleman, who was involved in the efforts to create the ASB and ABCD and went on to become president of the Academy early in his illustrious career.

Together, the ASB and the ABCD were critical to the further development of the profession. “There was very little public recognition of the actuarial profession at the time, nor could we really say that without standards and a discipline process we were really a profession,” recalled John Fibiger, who was involved in the effort and served as president from 1987 to 1988. “I felt it was very important to the profession to have one overall organization to gain greater understanding by the public about how much their security depended on actuaries doing their work professionally.”

The need for stringent self-regulation and high standards for the profession was never more apparent than in the late 1980s and early 1990s, when a series of property/casualty and life insurance company failures rocked the country and badly damaged public trust in the industry. U.S. Rep. John Dingell’s congressional investigation of the defaults resulted in the publication of *Failed Promises*, a scathing report that blamed poor state insurance regulation for the crisis.

Larry Zimpleman



John Fibiger


Mavis Walters

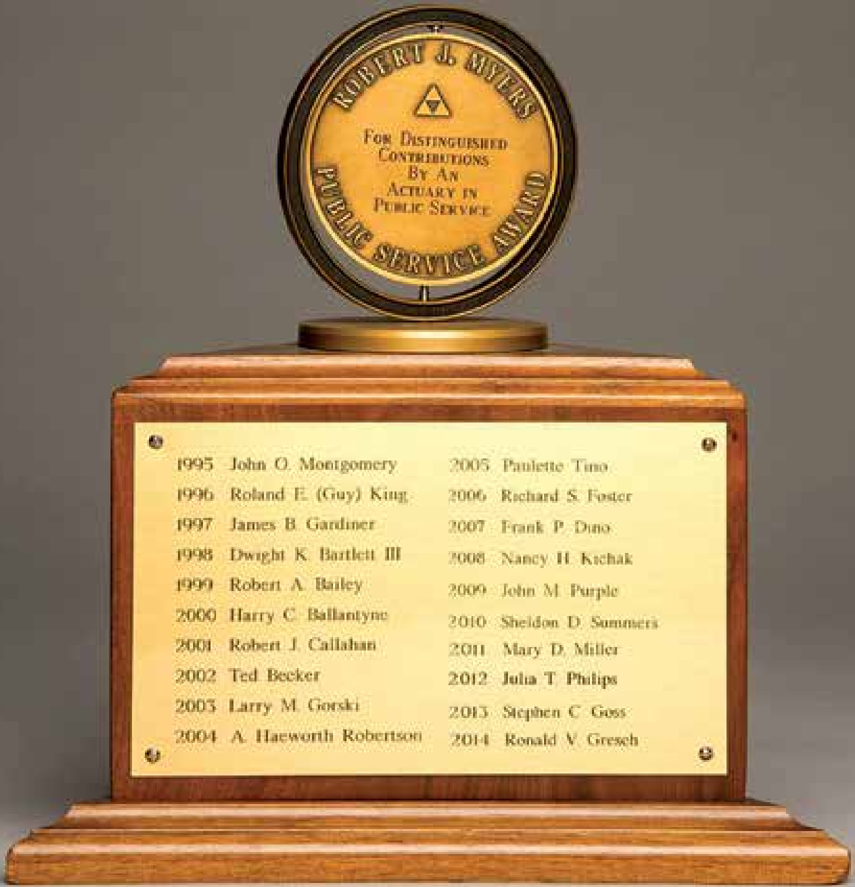
"Restoring public confidence is critical to the continued health of the industry," noted Murphy, who added, "The time is right for the actuarial profession to take a clear stand on this issue and, through the profession's unique qualifications, to assist in making the regulatory system work better." In response, the Academy formed a Task Force on Insurance Solvency to mobilize the best talent within the profession that in 1992 made recommendations on strengthening insurance company solvency requirements.

And the Academy continued to move forward in other ways. In 1990, Mavis Walters became the first woman to become president of the Academy. She noted that the profession had come a long way from the early days of her practice in the mid-1960s, when she was asked to testify in front of a state insurance rating board on the hot political issue of auto insurance rate increases. Walters recalled that she prepared rigorously for the hearing and spent two-and-a-half hours on the witness stand fielding questions. But when she looked in the paper the following morning to see how her testimony had been received, she was greeted by the front-page headline "Mini-Skirted Actuary Says Increase Justified."

"I couldn't believe it!" she recalled, "My skirt wasn't even that short … it was very modest." By 1990, however, she wrote that it had been "a long, long time since I've thought of my own career in terms of being the first woman to do this or that. It just doesn't enter my mind anymore." She said that was largely because the actuarial profession, with its rigorous, knowledge-based qualifications, "provides a marvelous opportunity for women, for minorities, and for anyone who believes that for some reason something in their background might cause them to be discriminated against."▲

ROBERT J. MYERS AWARD

Robert J. Myers was the chief actuary for the Social Security Administration from 1947 to 1970. He was instrumental in the design and funding of the Social Security system and was described by Sen. Daniel Patrick Moynihan as "a national treasure." In recognition of his many years of extraordinary public service, the Academy created the Robert J. Myers Public Service Award in 1994.



PUTTING THE PERSPECTIVE ON POLICY

BY THE EARLY 1990s, the Academy was increasingly being looked to as the go-to source for expert, independent evaluation of pressing policy issues. It formed a series of practice councils to allow actuaries to have more direct input on issues in their specialties: health, life, and casualty insurance; and pensions. The Academy's role in public policy, however, was cemented on federal level issues through its work on President Bill Clinton's efforts to reform the U.S. health care system from 1992 to 1994.

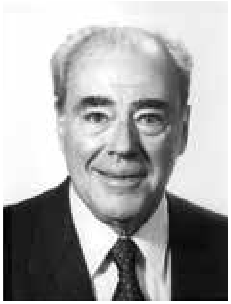
From the beginning of that process, the Academy was looked to as a unique expert resource to provide unbiased policy analysis on a contentious issue. The Academy was the only organization invited to discuss the best methods and tools to use in health care cost estimation by the President's Health Reform Task Force. Both the Congressional Budget Office and the Congressional Research Service requested technical assistance from the Academy, as did congressional staff drafting the reform legislation. The Academy's Health Practice Council formed 14 working groups that produced 17 reports examining the actuarial implications of the various issues involved in the reform plan, from health risk adjustment to standard benefit plans. The result was unprecedented visibility for the role of actuaries in policy formation. The profession even had its moment in the sun when President Clinton bragged in his national address on health reform that the numbers in his plan had been scrutinized by "actuaries from major accounting firms."

"In 1993, the actuarial profession attained an unprecedented level of recognition for its unbiased contributions to the crafting of public policy," Academy Executive Vice President Murphy told the membership, noting that "actuaries have garnered respectful attention in the nation's most influential media outlets." And just as importantly, despite the fact that the health reform proposal was eventually stymied by political opposition, the prominent role the Academy played demonstrated both the "adaptability of our skills to a broad array of policy and financial questions" and the problem-solving talents of actuaries.

In recognition of the growing role of actuaries in providing a critical component of policy analysis on many of the nation's most pressing questions—from the long-term viability of the Social Security and Medicare programs, to environmental issues, to tax policy—the Academy's board approved a new public policy-focused strategic plan in 1994. It shifted the organization's emphasis away from merely strengthening the profession toward two key objectives: providing independent policy analysis and maintaining standards of professionalism.

The Academy also hired its first non-actuary executive director, Wilson Wyatt, as part of its focus on communicating the profession's expertise directly to elected officials and other policymakers. Shortly thereafter, House Speaker Newt Gingrich asked the Academy in a televised news conference "to provide

The profession even had its moment in the sun when President Clinton bragged in his national address on health reform that the numbers in his plan had been scrutinized by "actuaries from major accounting firms."



Thomas Murrin

a baseline for financial solvency" of the provider service networks that were an essential part of the Medicare reform plan.

Just weeks later, on the 30th anniversary of the Academy in October 1995, Thomas Murrin, who served as the second Academy president in 1966, marveled at how the Academy's stature in the public policy world had increased. "At the time, policymakers had no idea how the profession could help them in crafting legislation and regulation. It's very gratifying to see the increased visibility the profession now enjoys as a source of objective analysis as a result of the Academy's efforts," he wrote.

"At the time, policymakers had no idea how the profession could help them in crafting legislation and regulation. It's very gratifying to see the increased visibility the profession now enjoys as a source of objective analysis as a result of the Academy's efforts."

—Thomas Murrin

These dual goals of policy and professionalism continued to guide the Academy as it weighed in on cutting-edge issues from the landmark Health Insurance Portability and Accountability Act (HIPPA) to genetic testing. The Academy also continued to expand its policy presence into the critical area of state-based insurance regulation, working with the NAIC. "Less than two years ago, leaders of the National Association of Insurance Commissioners regarded us with some suspicion, unsure if we were truly impartial or a lobbying organization," noted Larry Zimpleman in 1997. "Now, through the impartial efforts of volunteers, the Academy is engaged in over 40 projects for the NAIC," said Zimpleman, who said that the ASB and ABCD were key to the enhanced credibility of actuaries.

The increased emphasis on policy issues and the need for specialized expertise led the Academy in 1996 to hire Senior Pension Fellow Ron Gebhardtsbauer. Over the following years, he would become a national voice on pension issues. He was invited by members of Congress to speak in a series of coast-to-coast public meetings on Social Security and participated in a nationwide Social Security teleconference with President Clinton. Other members of the Academy also became increasingly active on the issue as the nation began to grapple with the realities of an aging population and its impact on social benefit programs.

"Social Security has been a particularly important area this year as the American people have joined in the discussion of the future of the program. To help inform the debate, the Academy has recruited dozens of actuaries to provide actuarial information to their fellow citizens in public or town meetings all over the country," noted Academy President Allan Kaufman in 1998. That same year, the Academy released its long-awaited report to Congress on *Financing the Retirement of Future Generations*.

At the same time, professionalism remained a major dual focus for the Academy. Prior to 1992, each of the U.S. actuarial organizations had its own Code of Professional Conduct. That year, the organizations created a Joint Committee on the Code of Professional Conduct to address conflicts between the various codes with an eye toward creating a standardized Code for the profession. As a result, a single Code was adopted by all the U.S. actuarial organizations in 1994. In 1997, the Joint Committee on the Code of Professional Conduct was charged with revising the Code of Professional Conduct. Each of the five U.S.-based actuarial organizations appointed a representative to serve on this committee and a revised joint Code was adopted in 2001 to keep the standard up-to-date on the latest practice areas and issues. In 2004, the Academy published the *Structural Framework of U.S. Actuarial Professionalism* to educate actuaries and other interested parties about the history and framework of actuarial professionalism and to enhance the profession's consideration of its responsibilities regarding professionalism. ▲

In 2004, the Academy published the ***Structural Framework of U.S. Actuarial Professionalism*** *to educate actuaries and other interested parties about the history and framework of actuarial professionalism.*

JARVIS FARLEY SERVICE AWARD

The Jarvis Farley Service Award honors actuaries whose volunteer efforts on behalf of the Academy have made s ignificant contributions to the advancement of the profession. The Academy established the award in 1991 to honor one of its most dedicated volunteers. Jarvis Farley was a charter member of the Academy and an invaluable resource for the profession. He served on Academy committees from 1972 until his death in 1991. His untiring volunteer work for the Academy epitomized the caliber of service honored by the award.

CHALLENGES AND CHANGE

THE BEGINNING OF THE 21ST CENTURY brought daunting new challenges for the nation and a host of changes for the actuarial profession. The terrorism attacks of September 11, 2001, signaled a new reality for the property and casualty insurance field. The Academy was called upon in the sobering months and years following the attacks to testify to Congress about revising casualty regulations and the need for a terrorism risk insurance backstop to mitigate against the financial impacts of large-scale chemical, nuclear, biological, or radiological attack.

An array of changes at the national and global level were transforming the economy, the organizations that employ actuaries, and the products that Americans rely on to provide financial security.

At the same time, an array of changes at the national and global level were transforming the economy, the organizations that employ actuaries, and the products that Americans rely on to provide financial security, with long-term implications for the actuarial profession. "The barriers between insurance, banking, and securities firms are rapidly falling, and broadly based financial service organizations are replacing the specialized institutions where actuarial practice has been traditionally important," warned Academy President Richard Robertson. "The

Academy must work to ensure that financial decision makers in these new organizations understand the importance of the actuary's role."

With the need to be proactive and to communicate with policymakers greater than ever, the Academy's Health and Pension Practice Councils launched regular Capitol Hill visits to give congressional and federal agency staff actuarial input into public policy priorities and held its first Washington public policy forum on key issues affecting the profession. The Academy provided testimony on everything from pension funding reform, to the Medicare prescription drug benefit, to proposals to reform Social Security.

The Academy's media profile soared as the result of the increased activity, with mentions in key media outlets such as *The Wall Street Journal*, *The New York Times*, and *U.S. News & World Report*. In 2003, Ron Gebhardtsbauer, the Academy's senior pension fellow, was selected as one of 100 most influential people in finance by *Treasury & Risk Management* magazine, which called Gebhardtsbauer "a rare commodity: a big-picture thinker on retirement issues." *The New York Times* endorsed the idea that the chief actuaries of Medicare and Social Security should be members of the Academy in order to be qualified for their positions.

The New York Times* *endorsed the idea that the chief actuaries of Medicare and Social Security should be members of the Academy in order to be qualified for their positions.

And with the increased pace of globalization, actuarial practice was becoming truly international in scope. The Academy had sponsored informal meetings of the actuarial associations in the United States and Canada since the

1970s, and added representatives from Mexico in the 1990s, to foster cooperation and mutual support and awareness of developments in constituent organizations throughout North America. During the late 1990s, the International Actuarial Association (IAA) was restructured from what was primarily a social gathering of individuals to an association of actuarial organizations from around the world that were interested in global interface. Academy representatives attend IAA meetings to contribute to the development of global actuarial expertise and to learn valuable lessons for the American profession and society. "There is a lot to learn from others around the world, which I think benefits us in the Academy, and the rest of the world has a lot to learn from us," noted recent Academy President Tom Terry of the Academy's international activities. "We are probably one of the most robust national associations. We have been pioneers in so many regards. We are one of the few nations that has a long history of professional standards and a rigorous discipline process and our qualification standards are exemplary."

"We are probably one of the most robust national associations. We have been pioneers in so many regards. We are one of the few nations that has a long history of professional standards and a rigorous discipline process and our qualification standards are exemplary."

—Tom Terry

With a major media presence, a membership of more than 15,000, a vital role on Capitol Hill, and increasing influence internationally, the Academy was by the middle of the first decade of the 21st century the respected voice of actuaries nationally. But increasingly policymakers were looking for the Academy to go beyond impartial analysis and offer more prescriptive policy positions. As the Academy noted in *The Record*, its annual compilation of activities, "The Academy prefers to assist in the formulation of public policy by providing independent and objective analysis rather than taking a position, but sometimes the Academy must weigh in with reasoned arguments in support of specific actions that must be taken."

The Academy was now playing a role in shaping policy on some of the most pressing issues of the day as a natural outgrowth of its policy work.

Among the "well-reasoned, intelligent solutions on issues of importance to the profession" that the Academy promoted in 2006 were the need for the Terrorism Risk Insurance Act to provide a federal backstop for the property and casualty insurance market in the event of a catastrophic act of terrorism, the need for any national retirement policy framework to embrace and promote defined benefit pension plans, and the need to address Medicare's urgent solvency problems. The Academy was now playing a role in shaping policy on some of the most pressing issues of the day as a natural outgrowth of its policy work.


Barbara Lautzenheiser

The Academy also continued its work on enhancing the professional stature of actuaries. In 2006, membership in the Academy became a legal requirement for actuaries who file actuarial equivalence attestations for health plans seeking a Medicare Part D prescription drug subsidy. In 2007, the Academy adopted revised Qualification Standards that strengthened and broadened actuarial continuing education and experience standards for actuaries signing various Statements of Actuarial Opinions. This continued to ensure that only qualified actuaries would sign Statements of Actuarial Opinion, harking back to one of the original rationales for the formation of the Academy. "Much of what happens in insurance happens on the state level," noted Barbara Lautzenheiser, who was Academy president in 2004 when the five-year process to review and strengthen the qualification standards was under way. "As the result of national accreditation through the Academy, we have high-quality standards and all actuaries are performing at the same level. Having consistency across the United States is very important," she said. ▲

KEY MILESTONES IN THE ACADEMY'S HISTORY

1965 The American Academy of Actuaries is founded in Chicago.

1965 Immediately after its formation, the Academy issues its Guides to Professional Conduct—a precursor to the modern Code of Professional Conduct.

1966 The Academy is incorporated as a not-for-profit corporation in Illinois.

1968 The National Association of Insurance Commissioners (NAIC) requires life insurance company annual statements to be signed by a qualified actuary, and stipulates that Academy membership demonstrates qualification.

1973 The Academy testifies before Congress for the first time, on proposed ERISA legislation and the necessity of using qualified actuaries to ensure the security and soundness of private pension plans.

1981 Qualification Standards to Sign Statements of Actuarial Opinion on NAIC Annual Statement Blanks (USQS) are adopted by the Academy Board of Directors.

1988 The Actuarial Standards Board (ASB) is established.

1989 *Contingencies* magazine debuts.

1991 The Actuarial Board for Counseling and Discipline (ABCD) is established.

2001 A single, unifying Code of Professional Conduct is adopted, without variations, by the boards of each of the U.S.-based actuarial organizations.

2006 Academy membership is legally required for actuaries filing Medicare Part D prescription drug subsidy equivalence attestations.

2008 The Academy adopts an advocacy position supporting raising Social Security's retirement age.

2012 The Academy files an *amicus curiae* brief supporting the Affordable Care Act's individual mandate.

2015 The Academy marks 50 years of serving the public and the U.S. actuarial profession.

AMERICAN ACADEMY *of* ACTUARIES

INTO THE FUTURE

The Academy's clear-eyed analysis was appreciated in the historic effort to reform the nation's health insurance system and extend coverage to millions of uninsured Americans.

AS THE FIRST DECADE OF THE 21ST CENTURY drew to a close, the actuarial profession, like the nation itself, found itself rocked by the global financial crisis. And once again, the Academy found itself at the center of many of its solutions. "Still standing strong amid the dust, the actuarial profession—and its steadfast commitment to proven risk management practices—was effectively promoted by the Academy as an essential resource to help policymakers pick up the pieces and build a more protective regulatory regime," noted *The Record*.

The Academy's clear-eyed analysis was equally appreciated in the historic effort to reform the nation's health insurance system and extend coverage to millions of uninsured Americans. As Congress debated the Patient Protection and Affordable Care Act (ACA), Academy volunteers and staff met with members of Congress and staff from both parties, testified before congressional subcommittees, answered technical questions, held Capitol Hill briefings on key issues related to health care insurance, and published issue briefs and white papers that were widely recognized for the their objectivity and technical

insight. “When the law was being debated, our visits to the Hill provided an opportunity for us to share our knowledge and advice with policymakers so that they would understand the potential consequences of the decisions they were making,” said Cathy Murphy-Barron, then chairperson of the Committee on Federal Health Issues.

But the Academy’s role wasn’t done as ACA was passed. Academy representatives were invited by the Obama administration for detailed discussions on implementing the law. “In the most recent health care reform, there were many unanswered questions when it rolled out. The Academy has been there, working with Health and Human Services and other departments on the Hill, trying to answer and address those technical questions. We also gave a number of webinars, where HHS staff came and talked to our members,” said Cecil Bykerk, who was president of the Academy as the law was being implemented.

The Academy was mentioned specifically in the ACA and charged with providing the Department of Health and Human Services with input on the law’s temporary reinsurance program. And when the Supreme Court took

“In the most recent health care reform, there were many unanswered questions when it rolled out. The Academy has been there, working with Health and Human Services and other departments on the Hill, trying to answer and address those technical questions.”

—Cecil Bykerk

up the issue of the constitutionality of the individual mandate in the ACA, the Academy filed a nonpartisan amicus brief on the actuarial consequences of removing the individual mandate from the ACA while allowing the other market reforms to remain in effect.

The Academy also took a proactive stance on another major policy issue looming over the American public. The Academy launched the Lifetime Income initiative to alert policymakers and the public to the risk that many Americans will lack sufficient savings to make it through their retirement years. The Academy's discussion paper, *Risky Business: Living Longer Without Income for Life,* addressed the issue of retirement security to foster a robust national debate on the challenges of planning for a more long-lived population.

The Academy launched the Lifetime Income initiative to alert policymakers and the public to the risk that many Americans will lack sufficient savings to make it through their retirement years.

What made the Academy "unique and credible" in the increasingly visible positions it took was the fact that its "advocacy is restricted to positions that are in the public interest," noted Academy President Ken Hohman in 2010. For instance, he said, "Two years ago we didn't see significant support for our advocacy position for raising the Social Security retirement age as part of a demographic solution for the sustainability of Social Security. But we persevered in our ongoing communications efforts regarding this position, with the result that policymakers from different parts of the political spectrum, as well as the mainstream media, have recognized and now often cite our position. This is a sign that … actuaries are seen as leaders in the discussion."

With political discussion more polarized than ever in the new decade, there was also more need than ever for the impartial, reasoned policy positions of the Academy. As Academy President Dave Sandberg explained in 2012: "As actuaries, we are trained to balance the competing interests of various stakeholders so that everyone is engaged, treated objectively, and gains from the transaction."

And former President Larry Zimpleman highlighted the Academy's objectivity, which sets it apart from other organizations: “A clear differentiation in the Academy’s mission is advocating for good public policy. It was always interesting to me that … when you sit down in a room and you’re talking about Academy work, you take your commercial hat off and put your public policy hat on.”

The Academy’s dual mission of public policy and professionalism couldn’t be done by any other organization, noted Zimpleman, as the other actuarial organization are clearly advocating for a particular educational service or interest. And the Academy’s many volunteers make a real impact in society and their profession. “I feel like I’m making a difference, not just for actuaries, but for society in general,” said current Academy President Mary D. Miller. “You are in a community of people who, whatever your area of practice is, you will find a whole family of people who are also operating in that niche and are working to make that better. You can find a place where you can contribute and make a difference.”

As the American Academy of Actuaries marks its 50th anniversary, the list of challenges facing the nation is long. Just to name a few: distressed public programs and systems, an aging society, increasingly globally integrated financial systems, and the potential impacts of climate change. “The problems of the nation’s biggest and most financially stressed programs are all actuarial in nature,” noted Past President Tom Terry. But the experience and resources the Academy marshals to bring to the table to solve these problems are also considerable.

“The profession has changed a lot. It’s bigger, it’s much more diverse.”
—Stephen Kellison

“The profession has changed a lot,” noted Kellison. “It’s bigger, it’s much more diverse.” And professionalism remains its hallmark. “Objectivity and independence are our cornerstones,” said former President Cecil Bykerk. “If someone makes a statement up on the Hill or at the NAIC and somebody doesn’t understand it or has questions about it, they call staff members or committee members from the Academy. The relevance of the Academy could never be more apparent.”

Zimpleman concurs. "Actuarial professionalism has to be at the foundation of everything we're about. If the public doesn't have confidence and trust in the opinions that actuaries provide, if we ever lose that public trust, then I think our standing as a profession kind of fractures and goes away beneath us," he said.

And it's this professionalism that will continue to place the Academy at the heart of solving those pressing problems. It is also what makes the Academy unique in these politically divisive times. "The Academy's objectivity lets us stand out in a noisy crowd, letting our voices be heard above the political cacophony," President Tom Terry told the members in 2014, recalling that former Sen. Kent Conrad said to Academy leaders, "You have the ability to be truth tellers, and truth tellers are desperately needed."

It's also what makes the Academy and the actuaries it represents a critical part of the fabric of our society. "The stuff that we do as actuaries matters a ton to every American. Everything from the smallest thing like auto insurance, to life insurance, to financial security systems, they touch everybody," noted Terry. "At the root of all of that are actuaries providing the kind of wisdom, experience, and support that make those systems sustainable. The Academy is the bedrock upon which all actuaries can resonate."

Past is prologue: The history of the past 50 years has demonstrated the American Academy of Actuaries' commitment to its mission to serve the public interest and the U.S. actuarial profession. As it charts its course for the future, it will, with renewed resolve, serve the public and the actuarial profession as we together face the challenges that only actuaries are expert and experienced in tackling. And for helping to navigate in stormy seas and when the sailing is clear, Nathaniel Bowditch, the very first American actuary, would be proud of his profession. ▲

SOURCES:

"Actuaries Hear Reminiscences Covering 25 Years," Life Insurance Supplement to the Spectator, May 28, 1914.

Address of the President, Henry F. Rood, "Recognition of Actuaries," Transactions of Society of Actuaries, October 1958.

Alan Lavine, "Insuring Lives and Protecting Families: The Early Years of the $5 Trillion Life Insurance Industry," The Finance Professionals Post, May 7, 2012.

Society of Actuaries, "Historical Background," https://www.soa.org/about/history/about-historical-background.aspx.

Walter L. Rugland, "American Academy of Actuaries: Historical Notes for the Period Prior to October 25, 1965," June 1986.

Contingencies, American Academy of Actuaries, various years.

Actuarial Update, American Academy of Actuaries, various years.

The Record, American Academy of Actuaries, various years.

Yearbook, American Academy of Actuaries, various years.