

IAA COUNCIL MEETING

MAY 28, 2006 – 15:00 to 18:00

HOTEL CONCORDE LA FAYETTE - PARIS, FRANCE

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30-DAY AGENDA

1. APPROVAL OF AGENDA
2. [APPROVAL OF PREVIOUS COUNCIL MINUTES](#) – RIO DE JANEIRO, BRAZIL, NOVEMBER 19, 2005
3. VOTING ARRANGEMENTS
 - a. Number of voting rights represented at the Council meeting
 - b. Identification of ballots received from associations
 - c. Identification of proxies
4. REPORT OF THE PRESIDENT
 - Current Activities
 - Other Initiatives

CONSENT AGENDA

Motion: That the Council accepts all Consent Agenda items below, including the approval of any motions contained therein.

- C5. RATIFICATION OF THE APPOINTMENT OF THE PRESIDENT, VICE-PRESIDENTS AND SECRETARIES OF THE 28TH INTERNATIONAL CONGRESS

- C6. STATUTES

Motion: (four-fifths majority vote required)

That Council approves the following changes to the Statutes, subject to the recommendation of the Nominations Committee.

IV. COUNCIL, OFFICERS, INTERNAL REGULATIONS

Article 9 Duties of Council (*deleted text appears in ~~strikethrough~~ and added text in bold*)

9. *Elect the Officers and Members of the Executive Committee and appoint Members of the Nominations Committee, Council Delegates to Section Committees, Chairpersons and Vice-Chairpersons of other Committees, and Committee members **that are not Delegates appointed by a Full Member association;***

C7. INTERNAL REGULATIONS**a. Motion: (four-fifths majority vote required)**

That for greater clarity Council approves moving the following text from Section 2 of the Internal Regulations (Full Membership) to become a new paragraph 2.1.6 of the Criteria for Accreditation as a Full Member Association, subject to the recommendation of the Committees on Accreditation and Education.

“A temporary dispensation from one or more specific membership requirements for periods of up to three years may be granted provided that the Accreditation Committee is satisfied that:

- the association has made, and is taking, all reasonable steps to comply as soon as practical;*
- earlier compliance is effectively outside the control of the member association; and*
- in its opinion, it would be unreasonable to require immediate compliance.*

The association must report on progress towards compliance as required by the Accreditation Committee, and in the case of education requirements, the Accreditation Committee will consider the advice and assessment of the Education Committee.”

b. Fast Track Procedure (FTP) for Making IAA Public Statements

The FTP has *de facto* become the normal procedure for submissions made at the request of third parties and has been successfully applied during 22 months to 25 statements without any statement being withdrawn or refused. The purpose of the changes are:

- a. to eliminate the need for prior authorization by the President which adds to the administrative load and is time consuming;*
- b. to ensure associations have at least 10 days to decide if they wish to object; and*
- c. to clarify the fact that an association is required to act only if it wishes to object to a statement.*

Motion: (two-thirds majority vote required)

That, subject to the recommendation of the Nominations Committee, the Council approves the following proposed amendments to the Fast Track Procedure (removed text appears in ~~strikethrough~~ and added text in SMALL CAPS .

- The ~~special~~ fast track procedure is available for public statements that must be prepared in response to a third party and must be submitted within a timeframe that the IAA does not control.*
- ~~Upon receipt of a request, the President may authorize a committee to use the fast track procedure to prepare and release a public statement on behalf of the IAA without requiring a prior affirmative vote from a majority of the Full Member associations.~~*
- AT THE REQUEST OF A COMMITTEE CHAIR, THE SECRETARIAT WILL NOTIFY THE PRESIDENT AND all Full Member associations ~~are notified~~ that a specific public statement may be prepared and released by an IAA committee under the fast track procedure.*

- *THE NOTICE SHALL INDICATE THE NAME OF THE COMMITTEE RESPONSIBLE FOR THE SPECIFIC PUBLIC STATEMENT, THE INTENDED DATE OF SUBMISSION OF THE STATEMENT TO THE THIRD PARTY, AND THE DATE UP TO WHICH OBJECTIONS MAY BE REGISTERED; THIS LATTER DATE SHALL BE FIVE DAYS PRIOR TO THE INTENDED DATE OF SUBMISSION. THE INTENDED DATE OF SUBMISSION CANNOT BE SET LESS THAN TEN DAYS FROM THE DATE THE NOTICE IS CIRCULATED.*
- *Full Member associations participate in the development of the response through their delegates, but observers can be added to the relevant list server to further facilitate real time monitoring of a statement as it is being developed. THIS IS THE ONLY OPPORTUNITY TO INFLUENCE THE DEVELOPMENT OF THE STATEMENT AS IT WILL NOT BE CIRCULATED OUTSIDE THE COMMITTEE FOR A VOTE.*
- *FULL MEMBER ASSOCIATIONS ARE ENCOURAGED TO PARTICIPATE IN THE DEVELOPMENT OF THE RESPONSE THROUGH THEIR DELEGATES. AN ASSOCIATION NOT REPRESENTED BY A DELEGATE TO THE COMMITTEE, THAT WISHES TO NOMINATE AN OBSERVER TO ASSIST WITH DRAFTING THE RESPONSE, OR TO FACILITATE REAL TIME MONITORING OF THE STATEMENT AS IT IS BEING DEVELOPED, CAN CONTACT THE SECRETARIAT TO NOMINATE A DELEGATE OR AN OBSERVER.*
- *Up to five days prior to THE ~~DEADLINE~~ INTENDED DATE for submission, a Full Member association can object to ~~the use of the fast track procedure or to~~ the release of a public statement by expressing a negative vote indicating the reasons for the objections to enable the committee chairperson to address the issues and to mitigate the differences of opinion, if possible.*
- *The chairperson shall inform the President of the nature and significance of any objections; after consultation with the Officers, the President may confirm the authority of the committee to proceed or request the committee chairperson to eliminate the objectionable parts or to withdraw the statement.*
- *In the absence of an instruction to the contrary from the President, the Secretariat will submit the response prepared and approved by the committee as an IAA public statement and post it on the IAA website as an IAA document unless negative votes have been received from Full Member associations representing more than one-fifth of the total voting rights.*

C8. APPOINTMENTS

a. Appointments Recommended by the Nominations Committee

Motion: (simple majority vote required)

That Council approves the following appointments:

Ken Buffin, IAA Delegate to the IACA Section (to replace Yves Guérard)

David Congram, Co-Vice-Chairperson of the Insurance Accounting Committee and Co-Chairman of the Actuarial Standards Subcommittee (to replace Paul McCrossan)

Michael Eves, Chairperson, Reinsurance Subcommittee of the Committee on Insurance Regulation (to replace Peter Boller)

Ibrahim Muhanna, Chairperson, Member Services Committee (to replace Peter Clark)

The Chairperson of the Committee on Social Security as the IAA delegate to the International Social Security Association (ISSA) (to replace Marie-Thérèse Lance)

Note: The current incumbent is Hillevi Mannonen.

NEW BUSINESS AGENDA

B9. MEMBERSHIP

Motion (two-thirds majority vote required)

That Council admits the Serbian Actuaries Association (Serbia) as a Full Member, subject to the recommendation of the Accreditation Committee.

Motion (two-thirds majority vote required)

That Council admits the Romanian Actuarial Association as a Full Member, subject to the recommendation of the Accreditation Committee.

Motion (two-thirds majority vote required)

That Council admits the Macedonian Actuarial Association (Macedonia) as an Associate Member, with the concurrence of the Accreditation Committee.

Motion (two-thirds majority vote required)

That Council admits the Russian Guild of Actuaries (Russia) as an Associate Member, with the concurrence of the Accreditation Committee.

B10. INTERNATIONAL ACTUARIAL STANDARDS OF PRACTICE - PRACTICE GUIDELINES

a) Regarding International Financial Reporting Standards

Motion: (two-thirds majority vote required)

That, subject to the recommendation of the Committees on Insurance Accounting and on Professionalism, Council adopts the final version of the following IAA Practice Guidelines regarding International Financial Reporting Standards as official IAA guidelines:

- *Embedded Derivatives and Derivatives*
- *Business Combinations*
- *Accounting for Reinsurance Contracts*
- *Disclosure of Information about Insurance Risk*

Note: The Actuarial Standards Subcommittee will revise the four (4) proposed practice guidelines already circulated for a 4-month exposure period with a view to having them available for the 30-day Council agenda. (The revised standards will be available next week and we will inform you of their availability.) It is anticipated that revisions will reflect the comments received on the preliminary exposure drafts. Other drafting editorial changes are also expected. For the time being, the documents are available through the home page of the IAA Website (www.actuaries.org).

b) Regarding Internal Models to be Used for Insurer Capital Requirements

Background

The Solvency & Actuarial Issues Subcommittee of the International Association of Insurance Supervisors (IAIS) has requested assistance from the International Actuarial Association (IAA) in the preparation of appropriate standards for internal models to be used

for insurer capital requirements. Several jurisdictions currently permit or are considering permitting the use of internal models. In this respect, it is desirable to ensure that these internal models meet the needs of various stakeholders, that they treat risks comparably and consistently, across risks, across insurers and across jurisdictions.

Motion: (simple majority vote required)

That, subject to the recommendation of the Committees on Insurance Regulation and on Professionalism, the IAA develop an International Actuarial Standard of Practice with respect to Internal Models developed for insurer capital requirement purposes;

That the International Actuarial Standard of Practice be developed as a class 4 standard - practice guidelines;

That the development of the International Actuarial Standard of Practice be assigned to the Solvency Subcommittee of the Insurance Regulation Committee.

B11. REPORT OF THE TASK FORCE ON THE FEASIBILITY OF A GLOBAL ACTUARIAL QUALIFICATION

1. The IAA recognizes that there is a diversity of needs and local conditions that call for a flexible approach to meeting education requirements and for ensuring that the quality and scope of the qualification of actuaries around the world meet or exceed the IAA Education Guidelines and Syllabus, as referred to in Article 2.1.5 of the Internal Regulations, hereinafter referred to as “IAA education requirements”.
2. As the actuarial profession expands, there are more and more member associations that have limited membership potential, for which the maintenance or creation of an IAA compliant education and examination system is a relatively more challenging burden than it is for established member associations that have a larger membership and adequate financial resources.
3. The Task Force acknowledges that all current and future member associations have different needs, but believes that many could benefit from access to an education and examination delivery system complying with the IAA education requirements.
4. The Task Force considers that it has become an important priority for the IAA to promote the creation of an additional facility, the IAA Education Programme, a country neutral international system available worldwide, that would enable any actuarial association that so desires to provide actuarial education and examination efficiently.
 - 4.1 The launching and implementation of the IAA Education Programme are to be done so that it is cost neutral for the IAA’s own budget.
 - 4.2 It is intended that the IAA Education Programme will eventually become financially self-sustainable, after launch expenses have been covered during the initial years from external resources. Participation from smaller associations, Associate or Full Member associations, and from associations yet to be created, will be sufficient to generate a critical mass for the programme.

5. By itself, the IAA Education Programme will not lead directly to the granting of any professional designation or title to individual actuaries, but is meant to be available as a service to actuarial associations, subject to the following:
 - 5.1 The IAA Education Programme will be a complementary education and examination system offered on a voluntary basis and will not be a condition for association Full Member status in the IAA.
 - 5.2 The IAA Education Programme will be constructed on a modular basis; associations will be free to use all or some of the modules.
 - 5.3 The IAA Education Programme will be designed to meet the IAA education requirements.
 - 5.4 If the IAA education requirements are modified, the IAA Education Programme will be modified accordingly; recommendations for modifications to the IAA education requirements remain the responsibility of the Education Committee.
 - 5.5 The IAA Education Programme may include additional topics not included in the IAA education requirements, which may be used by associations adopting the IAA Education Programme. This will not modify the IAA education requirements.
 - 5.6 An association using the IAA Education Programme must nevertheless comply with all the other requirements under Section 2 of the Internal Regulations in order to become or remain a Full Member association.
 - 5.7 In keeping with the subsidiarity principle, it is a matter for each actuarial association to grant any actuarial designation resulting from using the IAA Education Programme.
 - 5.8 Any Full Member association is free to maintain or develop, independently or in cooperation with others, its own system for complying with the IAA education requirements.
 - 5.9 The use of the IAA Education Programme does not imply mutual recognition between associations participating in the IAA Education Programme, nor between these and other associations.
6. The promotion by the IAA of the actuarial profession will not discriminate between actuarial designations based on the IAA Education Programme and those based on other education and examination systems that meet or exceed the IAA education requirements.
7. To ensure implementation in a timely manner and at minimum cost, the IAA Education Programme will, as far as possible, be implemented by drawing on the existing experience and knowledge base of the actuarial profession and of universities and other institutions of high learning.
 - 7.1 The IAA Education Programme may make use of distance-learning or other means of delivery.
 - 7.2 The IAA Education Programme will include an adequate control on its examination process to ensure that quality benchmarks are enforced.
 - 7.3 To the extent that funding and resources are available, the IAA Education Programme will be implemented in several languages.
 - 7.4 The IAA Education Programme may offer a special track for candidates who are already working, or have experience, in the financial services industry, and who are willing to undertake professional development training and complete the IAA Education Programme examination process.

- 7.5 In countries where no actuarial association exists, individual candidates may enrol in the IAA Education Programme pending the formation of a local association.
8. The Task Force recommends the creation of an IAA Education Programme Committee (IEPC) that is responsible for the development, implementation and organization of the IAA Education Programme.
 - 8.1 The Terms of Reference will be drafted by the Nominations Committee in consultation with the Task Force.
 - 8.2 The IEPC will report to the Council.
 - 8.3 The Council empowers the Officers of the IAA to take decisions relating to the IEPC's activities between Council meetings, as may be necessary for the timely operation of the Programme, provided such decisions are within the authority of the IEPC and the scope of the project as defined in the terms of reference.
 - 8.4 The Task Force on the Feasibility of a Global Actuarial Qualification is disbanded and the initial members of the IEPC are the current members of the Task Force for a term expiring at the end of 2006.
 - 8.5 The Nominations Committee, in consultation with the IEPC, shall recommend to Council candidates to be appointed as members of the IEPC from January 1, 2007, as well as their term of office and the procedure for replacing them from time to time.
9. The IEPC shall be responsible for:
 - 9.1 a. preparing a work plan for the project in conformity with the agreed principles, including those set out in 4. above, that reflects the expected staged nature of the project and addresses the financial and operational implications for the IAA, both over the first five years of the project and anticipated requirements beyond that time frame;
b. preparing financial projections consistent with the work plan in 9.1, including rolling three-year operational budgets (which will be independent of the main IAA budget) based on a range of expected business models and planning assumptions, to ensure that the financial and operational implications for the IAA both over the first five years and beyond are clearly understood;
 - 9.2 monitoring expenditure against budget and activities against the work plan;
 - 9.3 making recommendations for the implementation process and governance structures;
 - 9.4 making recommendations for the financial management of a dedicated fund required for implementation and ongoing operation;
 - 9.5. developing procedures for entering into partnership agreements with external entities (donors, universities, associations, others);
 - 9.6. ensuring that an appropriate evaluation system is designed and implemented to monitor whether the objectives of the project are being achieved; and
 - 9.7 defining the tasks and responsibilities of the personnel to be assigned to the various designated functions related to the development and implementation of the IAA Education Programme.
10. The IEPC shall consult:
 - the Advice & Assistance Committee on the implementation of pilot projects and liaison with the countries selected as pilots;

- the Education Committee on questions of syllabus, initial education and examination, continuing professional development, and assessment of the scope and effectiveness of the IAA Education Programme;
- the Professionalism Committee on questions relating to education in professionalism.

Motion: (two-thirds majority vote required)

That, subject to the recommendation of the Executive Committee, the Council accepts and approves the recommendations of the Task Force as set out above.

Upon the recommendation of the International Education Programme Committee (IEPC), and with the approval of the Officers of the IAA, the President and the Secretary General are authorized to sign jointly agreements with recognized institutions that agree to fund partially or totally the implementation of the IAA Education Programme consistent with the scope and authority defined in the Terms of reference.

[Annex 1 to Task Force Report – Terms of Reference of the Task Force](#)

[Annex 2 to Task Force Report – Background Paper from the Chairman of the Advice and Assistance Committee and the Chief Executive of the IAA Fund](#)

[Annex 1 to Background Paper – Possible demand that could be envisaged for IAEP](#)

[Annex 2 to Background Paper – Estimated Costs for Developing an IAEP](#)

B12. FINANCES AND ADMINISTRATION

a. Report of the Secretary General

Update on the finances, the Secretariat and the Web site.

b. [Audited Financial Statements – Year Ended December 31, 2005](#)

Motion: (simple majority vote required)

That Council approves the audited financial statements for the year ended December 31, 2005.

c. Dues for 2007

Motion: (four-fifths majority vote required)

That Council approves the setting of the dues payable by Full Member associations for the year 2007 to CAD \$13.50 per fully qualified actuary.

Note: A [draft budget for 2007](#) will be made available in advance of the meeting. The final 2007 budget will be submitted on the 60-day advance agenda for approval at the Council Meeting on November 19, 2006 in Edinburgh.

B13. STRATEGIC PLANNING

B14. REPORT ON ICA 2006 – PARIS, FRANCE

Motion: (simple majority vote required)

That, subject to the recommendation of the Member Services Committee, the obligation for a Section to hold a General Meeting of its members at the 2006 International Congress of Actuaries can be waived by the President upon request from the Section Committee, provided advance notice is given to its members of the fact that a general meeting will not be held, stating the date at which the next general meeting and the statutory election of committee members will take place. Notwithstanding the absence of a general meeting, the members should receive the Secretary's Report and the Treasurer's report, as provided in the Section Rules.

B15. UPDATE AND DISCUSSION OF RECENT ACTIVITIES

- a) Institutional Members
- b) Committees
- c) Sections

B16. NEXT MEETINGS – EDINBURGH, SCOTLAND – NOVEMBER 2006

B17 OTHER BUSINESS – *for discussion only*

B18. ADJOURNMENT AND NEXT MEETING