

**INTERNATIONAL ACTUARIAL ASSOCIATION
Final Report of the Revenue Enhancement Task Force**

June 30, 2014

A. BACKGROUND

The Revenue Enhancement Task Force of the Strategic Planning Subcommittee was created by the Executive Committee in October 2013 to identify and assess a number of different possible sources of revenue to lessen the IAA's dependence on annual dues from Full Member Associations as its main source of revenue (currently 90%) and the need for continued increases of these dues. This activity was in response to questions raised through the governance review process initiated earlier in the year, and through the initial findings of the Risk Oversight Task Force of the Audit and Finance Committee.

The mandate and composition of the Revenue Enhancement Task Force is attached as Appendix A.

The Task Force held four meetings since October via telephone conference call.

B. ACCOMPLISHMENT OF MANDATE

1. Investigate how similar organizations are organized in terms of funding.

The Task Force identified a number of comparable organizations whose activities could serve as a guide and examined their process, structure and income sources.

Two standard-setting organizations were identified as being particularly relevant to the revenue enhancement initiative envisaged by the Task Force: the International Accounting Standards Board (IASB) and the International Valuation Standards Council (IVSC). Both organizations receive significant funding from external sources for their standard-setting activity.

One major concern was maintaining one's professional independence throughout the process. In particular, the IASB has addressed its independence and objectivity in the face of substantial industry contributions through a public declaration that it will not be subject to undue influence, and through the establishment of independence as a principle throughout its operations.

2. Generate ideas for new sources of revenue for the IAA that would not jeopardize the profession's independence or conflict with the principle of subsidiarity.

During the course of its work, the Task Force considered several options for enhancing the IAA's revenue, other than through an annual increase in Full Member association dues.

The Task Force retained the following ideas, which are explained in greater detail later in the report:

- a. Populating other categories of membership, such as Observer, Benefactor, Special Benefactor;
- b. Increasing sales of publications;
- c. Seeking support from Sections for IAA activities relevant to their mission;
- d. Seeking sponsorship for IAA Council and Committee meetings; and
- e. Seeking support for specific projects.

The Task Force also considered the following ideas, but these were rejected:

- a. Revenues from educational activities: under the principle of subsidiarity, initiatives of this nature should not be pursued by the IAA; and
- b. Hosting events with an attendance fee: this would be a resource-intensive activity which was unlikely to have a significant financial impact.

C. IDEAS FOR NEW SOURCES OF REVENUE

a. Populating other categories of membership, such as Observer, Benefactor and Special Benefactor

Based on its findings, the Task Force recommends that the IAA focus its efforts for increasing revenues primarily through its additional membership categories. Since their introduction in 2003, these categories have remained largely unpopulated yet, through some effort, could help ensure an annual flow of increased revenues.

In order to be successful in this effort, the IAA will need to design a program that will be attractive to potential members and develop an action plan that will ensure an effective implementation.

Important considerations

- i. Membership in the IAA should be promoted as a means to support the IAA's stated vision of contributing to the well-being of society as a whole, and the unique value added the IAA can bring to key stakeholders in the financial services industry.
- ii. The development of model international standards of actuarial practice (ISAPs) was identified as the unique contribution the IAA can make to society as a whole. Such activity would be of interest to a wide audience, including regulated insurance companies, regulators, governments, supranational organizations, and employers of actuaries.
- iii. International standards will support the growth of the profession in developing countries, a benefit to the global insurance industry and of particular interest to development banks whose interests lie in developing actuarial knowledge and capabilities, and in well-functioning financial markets in their regions.
- iv. The IAA is committed to timelines established by the International Association of Insurance Supervisors to draft appropriate standards in response to global capital insurance. Other regulators have also impressed on the IAA the need for international standards in additional areas of practice.
- v. Actuarial standard-setting work is necessary and the resources must be committed, whether these standards are developed through the IAA or another entity. To support the IAA will help ensure the delivery of a timely quality product developed by experts in the matter.
- vi. Based on the current definition of other categories of membership, Observer Member would appear to be particularly suited to broader interest organizations that do not have a stated interest focused on specific countries or companies (Geneva Association, Global Federation of Insurance Associations) and development banks, while Benefactor and Special Benefactor would appear to be more appropriate for large insurance companies, the big four accounting firms and actuarial consulting firms (particularly those consulting to insurers). The Task Force recommends that the naming and definition of each of these categories be reviewed, and that the use of the word "member" be reconsidered to ensure it does not imply a higher level of involvement than intended. Alternative names could include: "Partners", "Donors", and "Contributors".

- vii. The level of fees for each category should be revisited, possibly increasing the value of Benefactor membership from a range of CAD 2,500-5000 to CAD 10,000-15,000, and Observer membership from CAD 5,000 to CAD 10,000.
- viii. The benefits level for each category of membership should be revisited. One consideration could be to include as a benefit for Observer Members an opportunity to comment early on our documents. Given the nature of this group, the likelihood of undue influence should be non-existent.
- ix. The current information with respect to categories and benefits of membership are attached as Appendix B.

b. Increasing sales of publications

The IAA has generated some additional revenue through the sale of its publications. Although this is not seen as a major source of revenue, the Task Force identified this as an appropriate ongoing activity for the IAA and believes the Secretariat should investigate means of promoting sales even further. This could include investigating possibilities through publication houses and promoting the inclusion of IAA publications, where appropriate, in the syllabi of Full Member associations.

c. Seeking support from Sections for activities relevant to their mission

The Task Force agreed that the IAA should consider seeking support from the Sections for some of its activities, as appropriate, towards enhancing the responsiveness of the IAA on various matters. Potential activities could include the development of standards of practice and monographs on subjects within a given Section's area of interest, educational seminars and research projects, and the support could be in the form of funding and/or human resources. The Task Force agreed that this should be part of a greater discussion by the Executive Committee on the role of Sections in the IAA.

d. Seeking sponsorship for IAA Council and Committee meetings

The Task Force believes that sponsorship of the IAA's statutory Council and Committee Meetings could be of interest to major actuarial recruiters and other organizations (reinsurance companies, actuarial and audit firms consulting in the insurance area) marketing to actuaries and employers of actuaries, and that the Secretariat should investigate such opportunities, initially through known contacts. The Task Force cautioned against soliciting this type of support from entities that are members of the IAA.

e. Project specific support

The Task Force agreed that there could be instances where it would be appropriate for the IAA to actively solicit support, either financial or manpower, for a specific project. The Task Force cautioned that it would be imperative to ensure that the independence of the profession could not be jeopardized.

D. RECOMMENDATIONS

- a. **Membership:** That the IAA undertake a program of promoting membership in the IAA to eligible key entities. Face-to-face meetings should be organized through IAA contacts with target organizations where we already have a good relationship to solicit their feedback on the value proposition and the level of fees towards finalizing a proposal that would be of interest to other entities. Where appropriate, the IAA should involve the local Full Member Association in these contacts. Once

membership categories begin populating, the IAA can use this information to solicit interest amongst other entities through the form of a written invitation.

- b. Publications:** That the IAA Secretariat investigate ways of increasing sales of publications.
- c. Support from Sections for IAA activities relevant to their mission:** That the Executive Committee address this later in the year as part of its discussion on the role of the Sections in the IAA.
- d. Sponsorship for statutory IAA Council and Committee meetings:** That the IAA Secretariat approach actuarial recruiters for sponsorship of the statutory IAA Council and Committee meetings.
- e. Project specific support:** That the IAA seek support for specific projects, as appropriate, bearing in mind the need to maintain the independence of the profession.

Respectfully submitted on behalf of the Task Force
Kurt Wolfsdorf, Chairperson

Appendix A - Task Force Mandate and Membership

MANDATE AND TIMELINE

Mandate

1. Investigate how similar organizations are organized in terms of funding.
2. Generate ideas for new sources of revenue for the IAA that would not jeopardize the profession's independence or conflict with the principle of subsidiarity.

Timeline

An initial teleconference will be held by November 30.

A draft report will be prepared by January 31, with a more comprehensive report to be presented to the Strategic Planning Subcommittee in time for its meeting in Washington, DC in March 2014.

TASK FORCE MEMBERSHIP

Kurt Wolfsdorf	Germany	Chair (2013 President)
Robert Brown	Canada	2013 President-Elect
David Ingram	United States	Chair, Enterprise and Financial Risk Committee
John Maroney	Australia	Chair, Task Force on Risk Assessment
José Mendinhos	Portugal	Council Delegate
David Pelletier	Canada	Chair, Actuarial Standards Committee
Desmond Smith	South Africa	2013 Immediate Past President; Treasurer; Chair, Governance Review Task Force
Darryl Wagner	United States	Member, Supranational Relations Committee
Nicole Séguin		Executive Director

Appendix B – Current definitions, fees and benefits of other categories of membership

	Institutional	Observer	Benefactor Special Benefactor
Annual Fee	As set by Council (currently, all are on a fee waiver)	CAD 5,000	CAD 2,500 - 5,000
Organizations that especially concern themselves at the institutional level with matters of concern to actuaries.	√		
Organizations with the mutual intent of enhancing communications, liaison, exchanges and strategic support. Public, academic or industry institutions of relevant interest for the global actuarial profession, particularly those active at an international, supranational or regional level.		√	
Entities that wish to provide financial support to the work done by the IAA in developing the body of knowledge of actuarial science, enhancing the quality of services, the professional standards and in general ensuring that the public interest is well served. Must not have any aim or purpose that is in conflict with the IAA Vision Statement and Mission Statement as adopted by Council from time to time.			√
May appoint a non-voting representative to attend Council meetings, provided it agrees to invite an observer from the IAA to meetings of its governing body or at other meetings of particular relevance to actuaries.	√		
Privileged access, subject to applicable rules, to IAA electronic communications and such other services as appropriate.	√	√	√
May participate in the IAA's International Congresses subject to payment of the Congress registration fees.	√	√	
May obtain IAA publications at no charge.			√
Current members	IAIS, IASB, IOPS, OECD, ISSA	ADB	