

IAA Council Meeting – Zurich, Switzerland

April 11, 2015

1. WELCOME AND INTRODUCTIONS

Head Table

President	Fred Rowley
President-Elect	Malcolm Campbell
Immediate Past President	Rob Brown
Special Guest	Felix Hufeld, IAIS
Executive Director	Nicole Séguin

2. TOTAL VOTING RIGHTS: 78.50% (128/163)

- a. Delegates present: 75.5% (123/163)
- b. 2 Ballots: 1.8% (2/163) – Bosnia and Herzegovina; Indonesia
- c. 1 Proxy: Sweden 1.2% (2/163)

84 time slots at these meetings (87 in London)

51 separate groups (51 in London)

Total Meeting Attendance

Full Members (50/67)

Associate Members (6/29)

7 Sections

Partners (3/5)

Observer (0/1)

Patron (0/1)

Number of Delegates: 325 from 55 countries – **this is a record attendance**

Number of Accompanying persons: 57



In Memoriam

We have lost two delegates since our last meetings:

Brad Smith – United States

- Society of Actuaries Council Delegate
- former member of the Strategic Planning Subcommittee



Peter Boller – Switzerland

- former ASTIN Section Chair
- Vice-Chair of the Insurance Regulation Committee
- former Chairperson of the Reinsurance Subcommittee
- co-author of the IAA book A Global Framework for Insurer Solvency Assessment
- played a critical role in getting our Risk Book project energized



Dave Sandberg, Chair of Insurance Regulation Committee, said a few words about Peter Boller and shared his appreciation for all his contributions to the IAA.

A moment of silence was held.



3. APPROVAL OF AGENDA

Items that are included on this Consent Agenda are items for noting that have been approved or ratified by Council through electronic ballots.

AGENDA APPROVED AS PRESENTED

17 SPECIAL GUESTS AND SPEAKERS REGISTERED FOR THESE MEETINGS

Financial Reporting Council (FRC): John Instance

Financial Stability Institute (FSI): Jeffery Yong

Geneva Association (GA): Maja Mikos; Kathrin Hoppe

International Association of Insurance Supervisors (IAIS): Felix Hufeld, John Maroney, Jules Gribble, Mark Causevic, Daniel Hofmann

International Labour Organization (ILO): Craig Churchill

International Social Security Association (ISSA): Simon Brimblecombe

Swiss Financial Market Supervisory Authority FINMA: Thorsten Pfeiffer, Marc Radice

Martin Balleer

Reinhard Eckl

Prof. Dr. Paul Embrechts

Monica Maechler

4. APPROVAL OF PREVIOUS COUNCIL MINUTES

Motion: (simple majority vote required)

That the minutes of the Council meeting held on September 13, 2014, in London be adopted as presented.

APPROVED UNANIMOUSLY



5. REPORT OF THE PRESIDENT ON IAA KEY ACTIVITIES

- The work of the IAA is not restricted to our twice a year face-to-face meetings
- Thank you to our 800+ volunteers
- At March 30, there had been 127 conference calls since the meetings in London
- Many Officers and other volunteers have been involved in representing the IAA in a number of major forums

Representation since London

- International Mortality and Longevity Symposium 2014
- China Association of Actuaries annual conference
- Geneva Discussion Forum: ILO – ISSA – OECD
- 18th East Asian Actuarial Conference
- CONAC annual conference and 50th anniversary of Anahuac University
- Actuarial Association of Europe meetings
- IAIS Annual Conference
- SOA Annual General meeting
- EIOPA Conference 2014
- New Zealand Actuarial Society annual conference
- Caribbean Actuarial Association annual conference
- Society of Actuaries in Ireland President's Biennial Dinner
- Geneva Association
- SOA Board

Post Zurich

Meetings with IAIS, BIS and FSI officials in Basel April 13

Meeting with Financial Reporting Council in London April 16



5. REPORT OF THE PRESIDENT ON IAA KEY ACTIVITIES *(CONT'D)*

Communications

News Releases since London

- Highlights of the IAA Council and Committee Meetings in London
- Admission of 66th Full Member Association—the Association of Consulting Actuaries (United Kingdom)
- Approval of the future development of three model International Standards of Actuarial Practice
- Regional Development Seminar and Participation in East Asian Actuarial Conference in Chinese Taipei
- Appointment of New Members to Actuarial Standards Committee
- Regional Development Seminar in Peru
- Election Results for 2015
- Admission of 67th Full Member Association—the Asociația Română de Actuarial (Romania)
- Paper on the Risk of Ebola
- Approval of the development of a model International Standards of Actuarial Practice relating to IAIS Global Insurance Capital Standards
- Presentation at the Bank of Portugal on IAA Monograph on Discount Rates in Financial Reporting
- Annual Report 2014

Newsletters since London

- December 2014
- London Special Newsletter — November 2014
- March 2015
- Zurich Special Newsletter to be issued end of April
- Annual Report 2014 just released

Public Statements (PS) since London *(formerly known as Fast Track Procedure [FTP])*

- PS-6 2015-02-17 Response to IAIS Public Consultation on the Risk-based Global Insurance Capital Standard
- PS-5 2015-03-08 Response to FRC's new framework for Technical Actuarial Standards
- FTP2014-4 2015-01-14 Response to IASB Discussion Paper on reporting the financial effects of rate regulation



6. REPORT OF THE EXECUTIVE COMMITTEE

- EC met 5 times by conference call since London
- Met on April 9; will meet tomorrow - Written reports will follow

Approved Future Council and Committee Meetings

- Vancouver, Canada —October 2015
- St. Petersburg, Russia — May 2016
- Cape Town, South Africa — November 2016
- Budapest, Hungary — April 2017
- Chicago, United States — October 2017
- Berlin, Germany — May 2018 (in conjunction with ICA 2018)

EC goals for 2015 were approved as follows:

1. Finalize implementation of recommendations of 2013 governance review
2. Continue to monitor implementation of stakeholder engagement plan
3. Elaborate on value proposition
4. Align the committees with the IAA strategic goals
5. Improve the effectiveness of committees
6. Improve recognition of the actuarial profession among external audiences
7. Approve a branding workplan *done*



6. REPORT OF THE EXECUTIVE COMMITTEE *CONT'D*

Strategic Planning

Approved Strategic Planning Subcommittee (SPS) membership for 2015:

Malcolm Campbell – Chair

Cathy Lyn – Caribbean **reappointment**

Jacques Tremblay – Canada **new**

Rainer Fürhaupter – Germany **new**

Alan Rubenstein – United Kingdom

Junichi Sakamoto – Japan

Ad Kok - Netherlands

Joe Nichols – United States

Bob Conger – United States

Ricardo Frischtak – Brazil

Branding and Communications Subcommittee (BCS)

- Approved Branding Report and disbanded Task Force on Branding with thanks to Chair Mike McLaughlin and the members
- Renamed Communications Subcommittee to Branding and Communications Subcommittee and appointed additional members
- Approved revised due process for public statements that includes a peer review process to ensure consistency in our external representations – *later on Council agenda*



6. REPORT OF THE EXECUTIVE COMMITTEE *CONT'D*

Finances

- Approved revisions to the Financial Assistance Policy
- Reviewed report on investments, 2014 Q3 financial statements and year-end forecast, and 2014 audited financial statements
- Had a discussion with Chair of Audit and Finance Committee re surplus: coming back to later agenda
- Reviewed Committee expenses for 2014 and approved budgets for 2015
- Approved recommendation for 2016 dues – *later on agenda*
- Received the final report of the Revenue Enhancement Task Force and disbanded Task Force

Governance – Task Force on Recommendation 3 Chair Rob Brown

- Created to consider questions of voting rights and geographic representation
- Paper circulated in advance of this meeting
- Rationale for 2010 voting changes was simply to restore the balance of power to roughly where it was in 1998
- A cap on the number of votes for the largest associations is needed to maintain equity amongst all member associations and avoid domination
- Not convinced that there exists a need for a “veto” in the workings of the IAA – we move by consensus
- Task Force found no compelling reason to change the voting weights at this time, but recommends that they be reviewed approximately five years from now



6. REPORT OF THE EXECUTIVE COMMITTEE *CONT'D*

Governance – Task Force on Recommendation 3 (cont'd)

Geographic Distribution

- Basic problem in achieving wider diversity lies in the very small number of nominations put forward by our Full Member Associations
- The “requirement” of a tripartite geographic distribution (i.e., Canada/US, Europe, ROW), while creating no real problems, is now outdated as it relates to Chairpersons, Vice-Chairpersons and statutory meetings
- It could be replaced by a broader approach to diversity supported by a detailed report by the NC as to diversity
- We are now mature enough to move to a broader approach for these appointments, while retaining the tripartite geographic distribution and the wild card option for the Executive Committee and the President-Elect
- Should instruct NC to guarantee diversity of representation as to: geography, language, culture, gender, education system for qualification, size of FMA and others
- On a regular basis, the NC should provide a report to Council (with supporting data) on how they have satisfied the need for diversity so as to have a level of discipline within the new more flexible structure
- This does not necessarily require a change in Internal Regulations
- Fall back position would be status quo



6. REPORT OF THE EXECUTIVE COMMITTEE *CONT'D*

Supranational Relations

- Developed role paper for supranational Relationship Managers and Delegates
- Reviewed report on supranational activities, including an update on our various Memoranda of Understanding (MOU)
- Created two task forces: one to review and recommend updates to the MOU with the IASB (signed earlier this week) and one to prepare an options paper for the EC on an ongoing relationship with IFAC
- Following discussion at Leaders Forum (Committee and Section Chairs), plan to officially disband SRC April 12
- Oversight for supranational relations will reside with EC

Other Decisions taken

- Approved the appointment of Assia Billig (Canada) and Sam Gutterman (United States) as Chair and Vice-Chair of the Population Issues Working Group
- Approved revised TORs for Publications Subcommittee of the EC
- Disbanded Regulated Professions Task Force
- Appointed Francis Ruygt as EC liaison to organizing committee of ICA 2018
- Appointed EC liaisons to committees for 2015

Other Activity

- Reviewed revised membership criteria for Associate Members – *later on Council agenda*
- Supported Professionalism Guidelines developed by Professionalism Committee
- Webinars: no webinars pre Zurich; post Zurich webinars planned on new education syllabus and guidelines and on actuarial standards

7. **PRESENTATION BY GUEST SPEAKER**: Chairman of the Executive Committee of the International Association of Insurance Supervisors (IAIS) - Felix Hufeld



8. NOMINATIONS COMMITTEE (NC) REPORT

Rob Brown, Chair

- NC had 4 conference calls since London to consider membership for EC, upcoming vacancies and President-Elect candidates for 2017
- Met earlier this week
 - ✓ Continued discussion of President-Elect candidates for 2017
 - ✓ Final stages of reference check and due diligence
 - ✓ Will announce recommendation by email
- Discussed committee and working group leadership vacancies coming up for 2016, as well as those for limited membership committees
- In all of our recommendations, take into consideration nominations received from Full Member Associations and the need for greater diversity, as called on by the work of the Task Force on Recommendation 3 reported on earlier

Nominations Committee Protocol

Proposing the following changes in order to allow more flexibility in the recommendation of individuals to serve on the Executive committee:

Article 5 a: The eight at-large members are to include at least one member with current or recent experience **as-in** a Committee ~~chairperson~~ **leadership capacity**, one with current or recent experience **as-in** a Section ~~chairperson~~ leadership capacity”

Article 5 d.): Once a full ~~or partial~~ term is served by someone on the EC, they are not eligible to be re-elected to the EC again as an at-large member for a period of eight years

Will be submitted to Council for approval by electronic ballot post Zurich. **Council was supportive of proceeding**



9. FINANCE & ADMINISTRATION

a) Report of Audit and Finance Committee – Mike McLaughlin, Chair

- Accounting system change successful, verified with completion of 2014 annual financial audit
- Finalize investment policy and ascertain risks in IAA surplus retention, particularly for Sections
- Investment management services
- Investment Portfolio overview
- Risk Oversight Task Force
- IAA IT Needs Analysis initiated
- Compliance certificate

Terms of reference

Committee recommends changes to its terms of reference as follows:

- Revised c) The Audit and Finance Committee shall produce an annual certification of all ~~released public statements~~
Council votes.
- New d) The Audit and Finance Committee shall monitor compliance with regulatory requirements.
- Will be submitted to Council for approval by electronic ballot post Zurich **COUNCIL WAS SUPPORTIVE OF PROCEEDING THIS WAY**

b) Audited Financial Statements for 2014

Audit Process followed:

- Chair of the Audit and Finance Committee and Secretariat met with auditors on December 10, 2014
- Final draft of audited financial statements received by Secretariat on February 11, 2015
- Audit and Finance Committee review and discussion of draft audited statements on February 19, 2015
- Executive Committee review and discussion of draft audited statements on March 3, 2015

URGED FMAS TO VOTE ELECTRONICALLY



9. FINANCE & ADMINISTRATION

b. Audited Financial Statements for 2014

(Canadian Dollars)

Summary of Net Assets

As at and for the year ended December 31		2014		2013	
	IAA (Excluding Sections)	IAA Sections	IAA Total		IAA Total
Assets	\$ 1,464,938	\$ 2,066,861	\$ 3,531,799	\$ 3,227,417	
Liabilities	794,600	13,593	808,193	557,439	
Net Assets	670,338	2,053,268	2,723,606	2,669,978	
Revenue	\$ 1,845,139	\$ 309,186	\$ 2,154,325	\$ 2,021,046	
Expenses	(1,883,958)	(216,739)	(2,100,697)	(2,111,313)	
Excess	(38,819)	92,447	53,628	(90,267)	

Excerpted from 2014 audited financial statements, available at www.actuaries.org.



9. FINANCE & ADMINISTRATION

b. Audited Financial Statements for 2014

(Canadian Dollars)

Summary of Financial Information

As at and for the year ended December 31	2014	2013
Cash	\$ 616,623	\$ 531,753
Investments , short term	1,113,168	1,021,744
Investments, long term	1,594,428	1,529,604
Other assets	207,580	144,316
Total Assets	\$ 3,531,799	\$ 3,227,417
Deferred revenue	\$ 4,653	\$ 86,642
Other liabilities	803,540	470,797
Net assets - unrestricted	2,723,606	2,669,978
Total Liabilities & Net Assets	\$ 3,531,799	\$ 3,227,417
Revenues	\$ 2,154,325	\$ 2,021,046
Expenses	(2,100,697)	(2,111,313)
Excess (deficiency) of revenues over expenses	\$ 53,628	\$ (90,267)



FINANCE & ADMINISTRATION

INVESTMENTS PORTFOLIO OVERVIEW

Asset Allocations at December 31, 2014	Description	TOTAL PORTFOLIO		Expected Maturity	Interest Rate
		\$	%		
Canadian Equities	iShares S&P TSX 60 Index	531k	16.0%	n/a	n/a - dividends only
Canadian Fixed Income	Gov't of Cda T-Bill	1,113k	33.5%	< 1 year	±0.97% p.a.
Canadian Fixed Income	Provincial/Municipal Bond	225k	6.8%	2019 - 2023	1.95% - 2.85% p.a.
Canadian Fixed Income	Gov't Cda Real Return Bond	838k	25.2%	2021	4.25% p.a.
Cash	Cash in bank + cash in investment accounts	617k	18.5%	n/a	n/a
Total IAA Portfolio		3,324k	100.0%		



FINANCE & ADMINISTRATION

INVESTMENT POLICY REVIEW

Asset Class Actuals at December 31, 2014	Allocation Policy %	SURPLUS COMPONENT OF PORTFOLIO	
		\$	%
Canadian Equities	0 - 50%	531k	33.3%
Canadian Fixed Income ¹	20-100%	1,063k	66.7%
Cash	0 - 50%	-	- %
Total Long-Term Investments		1,594k	100.0%

¹ Fixed Income Sector Allocation Actuals at December 31, 2014	Allocation Policy %	SURPLUS COMPONENT OF PORTFOLIO	
		\$	%
Government of Canada	25 - 90%	838k	78.8%
Provincial or Municipal	10 - 60%	225k	21.2%
Corporate	0 - 40%	-	-
Total Fixed Income		1,063k	100.0%



9. FINANCES & ADMINISTRATION

c) Dues Recommendation for 2016

Rob Brown, Treasurer

- 2016 Pro forma budget considered by EC
- Recommend no dues increase for 2016
- Approved allocation of ICA 2014 surplus to various IAA operations, in accordance with recommendations from ICA 2014: this is an externally restricted fund of the IAA
- Final budget will be on 60-day Council agenda for Vancouver

WILL FOLLOW BY ELECTRONIC VOTING BALLOT

CONSENT AGENDA – for noting

C10. RESULTS OF ELECTRONIC BALLOTS SINCE SEPTEMBER 13, 2014 COUNCIL MEETING

The following items have been approved by electronic ballot issued on October 27, 2014 and closed on December 26, 2014.

- Admit the Asociatia Romana de Actuariat (Romania) as a Full Member
- Value Proposition
- Budget for 2015
- Future Meetings: Cape Town, South Africa (Q4 2016)
- Future Meetings: Budapest, Hungary (Q2 2017)
- Future Meetings: Chicago, United States (Q4 2017)

The EC approval of the following item was ratified by electronic ballot issued on December 10, 2014 and closed on February 8, 2015.

- Final Statement of Intent on ISAP [7] — “Current Estimates” and Other Matters in Relation to the IAIS Capital Standards.



B11. Actuarial Standards Committee (ASC)

a. Update on work of the ASC
Alf Gohdes, Chair

ASC activity since London

ISAP 3

- TF: Reviewed and clarified comments on final draft
- TF: Finalised edits on ISAP 3, Glossary and report
- Agreement in ASC and EC; onward to Council

ISAP: 4 (Insurance IFRS), 5 & 6 (ERM) and 7 (current estimates)

- different TFs busy drafting Eds

ASC held its first standards seminar on April 9

- brief update on outcomes

Governance of models

- need has been identified; TF working on SOI

ASC recommends providing guidance on governance of models

- in **one place** rather than scattered over several ISAPs
- in a **separate** ISAP but making it clear it is associated with ISAP 1
- Governance of models, **not** modeling
- Short ISAP – 2-3 pages



B11. Actuarial Standards Committee (ASC) *CONT'D*

Process

- ASC will propose update to SAP for Governance of Models
- EC has asked ASC to continue work on Sol
- **EC's Strategic Action Plan (SAP) for ISAPs**
- SAP update:
 - propose separate ISAP
 - Sol consultation will specifically highlight the nature of the extension of ISAP 1 and the intended brevity (2-3 pages)
 - After Council approval of amended SAP, usual Due Process applies

ASC's workplan - Immediate and medium term

- 2015: ISAP 3 (IAS 19, Employee Benefits) scheduled to be adopted
- 2017 April: ISAP [1A] (Governance of Models)
- 2018 June: ISAP 4 (IFRS X, Accounting for Insurance Contracts)
- 2016 November: ISAP 5 (Insurer Enterprise Risk Models)
- 2017 April: ISAP 6 (Enterprise Risk Management Programs and IAIS Insurance Core Principles)
- 2017 October: ISAP 7 ("Current Estimates" – IAIS Capital Standards)

Raising Profile of ISAPs

- Increase level of interaction between ASC and FMAs
 - Run webcasts after ISAP ratification
 - Defining and monitoring "success"
- b. Final International Standard of Actuarial Practice (ISAP) 3 – IAS 19 Employee Benefits

Motion: (four-fifths majority vote required)

That, on the recommendation of the Executive Committee, Council approve the [Final ISAP 3 – IAS 19 Employee Benefits](#) and the [Revised Glossary](#) for release as presented. **APPROVED UNANIMOUSLY**



B12. ACCREDITATION COMMITTEE

Ken Hohman, Chair

Motion (simple majority vote required)

That, on the recommendation of the Accreditation Committee, Council approve the proposed changes to the Internal Regulations re Membership Criteria as presented.

AGREED TO THE REMOVAL OF 2.3.2 (IV) Will promote IAA programs, activities and pronouncements within its jurisdiction. APPROVED WITH 4 ABSTENTIONS

ASSOCIATE MEMBER IN CAMEROON: MEMBERSHIP HAS BEEN TERMINATED DUE TO NON PAYMENT OF DUES

B13. BRANDING AND COMMUNICATIONS SUBCOMMITTEE

Peter Doyle, Chair

Motion (simple majority vote required)

That on the recommendation of the Executive Committee, Council approve the Due Process for Making a Public Statement, as presented.

A public statement ~~may promote legitimate professional interests~~ **should serve the public interest in a field** where the IAA believes the profession can make a contribution.

APPROVED WITH ABOVE MODIFICATION 1 ABSTENTION



B14. EDUCATION COMMITTEE

Bozenna Hinton, Vice-Chair

Update on new IAA education syllabus and guidelines

B15. REPORT FROM THE STRATEGIC PLANNING SUBCOMMITTEE

Malcolm Campbell, Chair

- Report on Committee, Section and Working Group workplans
 - ✓ Discussed at Leaders' Forum
 - ✓ Focus on how the work of their respective groups can further contribute to the strategic objectives, and in particular to the branding efforts
 - ✓ Will result in tweaks to the strategic plan
- Report on Effectiveness of Committees Survey Results
 - ✓ EC liaisons followed up with Chairs and will report to EC tomorrow
- Paper on role of Sections
- Paper on committee structure

B16. NEXT MEETINGS: VANCOUVER, CANADA, OCTOBER 14-18, 20

HOSTED BY CANADIAN INSTITUTE OF ACTUARIES

Location: The Westin Bayshore



B17. OTHER BUSINESS

ASTIN, AFIR/ERM and IACA Colloquium in Sydney, Australia 23-27 August 2015

B18. ADJOURNMENT: THANK YOU TO OUR HOSTS THE SWISS ASSOCIATION OF ACTUARIES!

