

## **A global actuarial qualification**

Up to now the IAA has left the process of qualifying as an actuary in the hands of individual member associations. Each has its own system. However, the IAA has as an objective to ensure that qualified actuaries everywhere are seen as technically competent and professional. We aim to achieve this by the process of accrediting diverse education systems operating in different countries, some of which are under the direct control of the actuarial association, whereas others rely heavily, or in some cases completely, on universities. This has been a difficult process for the Education and Accreditation Committees (and perhaps for the associations!).

From the perspective of international agencies with which the IAA interacts, such a system leaves a lot to be desired in terms of the IAA's ability to give any guarantees as to the quality of different actuarial qualifications. It does not lend itself automatically to full mutual recognition between all IAA member associations. And many countries do not have an actuarial association yet, let alone one that is accredited as a full member of the IAA. Comparisons are made with the dramatic global development in recent years of the Chartered Financial Analyst (CFA) qualification of the CFA Institute, which entails all candidates sitting exactly the same exams and being awarded a global credential. Similarly, in the field of risk management, there is the Financial Risk Management (FRM) credential offered by the Global Association of Risk Professionals (GARP) and the Professional Risk Manager (PRM) credential offered by the Professional Risk Management International Association (PRMIA).

There are also severe problems of access to actuarial education in many parts of the world. Some actuarial associations offer their exams in a number of different centres, but these are not necessarily in the local language and, even with special rates and support programs, the cost of taking international exams (in terms of fees and tuition material) can be perceived as very high for students in some jurisdictions.

The Advice & Assistance Committee is working with the World Bank and other donor agencies to try to devise a strategy for providing sound actuarial education and professional development in many actuarially less developed countries. This may be able to be achieved with a hotch-potch of arrangements, using local professional exams, international exams and supporting the development of university programs. However, an obvious question to ask would be why the IAA does not develop and administer its own international examinations to fill this gap. A global examination system, administered under IAA auspices, could provide a cost-effective solution to the problem of making high quality actuarial education available in the places that existing arrangements do not reach, as well as enhancing the credibility of the IAA's claim to be ensuring high educational standards, particularly in the eyes of other international organizations and of national governments and regulators.

There are several strands of argument, therefore, pointing in the direction of addressing this issue now and for the IAA to decide to make it a key strategic goal to develop a global credential based on IAA led examinations. Logically this would be based on the IAA Core Syllabus, leading to an Associateship-level qualification, which is not country or practice-specific. Member associations would be encouraged to develop their own supplementary education to deal with issues particular to the jurisdiction and advanced practice-related education, either through additional examinations or through an active programme of Continuing Professional Development.

Because of IAA's key principle of subsidiarity, it should not interfere with the qualification arrangements of member associations (unless invited to do so). So any IAA global examination system should be seen as sitting alongside the existing professional qualification arrangements of member associations (both those which are country specific

and those which already have an international dimension). The IAA would not seek to usurp or replace the qualification processes that member associations have in place locally, unless the associations themselves see it as in their interest to cede responsibility to the IAA. Some of them may well want to do this, as maintaining the current examination systems is often found to be quite onerous. Letting the IAA take care of the first stages of professional qualification could help to free up local resources to concentrate on the more practice-related and professional aspects of actuaries' development.

The IAA could also accredit universities to offer the education and examinations and provide exemptions (waivers) for candidates who had already passed examinations of one of the other examining bodies or completed some relevant university education.

In order to implement a global education and examination system, the IAA would need to gear up significantly in terms of secretariat, since the administration of a global examination system is a complex exercise. It would be dealing with a large number of potential exam centres in very many countries and would ideally in due course be offering the exams in a number of major languages. There would also be a big demand for actuarial input to the process in setting examinations and in designing and rolling out education materials and tuition. The internet may offer a cost-effective solution for the delivery of tuition materials and even "face-to-face" tuition. It may also be possible to offer a number of the examinations using computer-based systems. The possibility would need to be explored of sub-contracting some (or all) of this work to associations that are already geared up to running international examination systems, or to a consortium of universities.

The experience of the associations that currently examine internationally is that it is difficult to make the system pay its way, if exams are administered in high income countries and regard is had in setting fees to the ability to pay of students in low income countries, especially as the number of students in each location is often small (with a few notable exceptions). It is unlikely that the IAA could establish such a system on a totally global basis without at least some initial financial subsidy; this would be part of the business case we would make to the international donor agencies. Support from them could enable us to get the IAA global credential established and to invest in the technology to enable education and examinations to be provided in the most modern and cost-effective way.

The main potential beneficiaries of a global examination system and designation would be the smaller and ALD countries, although there would be considerable scope for enhancing the global image and reputation of the profession, for example amongst regulators and other important stakeholders, if a common high quality of actuarial education and qualification could be assured.

Implementing such a system would likely take two to three years from the time a decision was taken to go ahead. Careful planning would be needed and administrative and actuarial resources would need to be put in place, to the extent that it was not decided to contract out functions.

### **The way forward**

Time being of the essence, it is important that strategic progress be achieved at the Rio meetings, and further work set in hand to enable us to reach the stage of actionable decisions by the Council in May 2006. As a minimum we should seek now to reach agreement that global IAA credentials should be a priority strategic objective of the IAA, subject to a study of the feasibility of the concept and its compatibility with the principle of subsidiarity.

To take the proposal forward it is suggested that a Task Force be established with the following terms of reference:

- to examine the feasibility of establishing a global actuarial examination system under the auspices of the IAA, leading to a single credential of qualification as an actuary, and consistent with the principle of subsidiarity
- to examine the scope for cooperating in this endeavour with member associations and with universities
- to draw up an implementation plan and timeline and to consider the administrative and actuarial resource requirements for the IAA, how they might be put in place and what financial support might be needed
- to consider the financing options available from international funding agencies (such as the World Bank and FIRST Initiative) and how they might be tapped in a way that is consistent with IAA's principles and supports the priority objectives
- to make a recommendation to Council to consider and, if appropriate, to adopt
- to submit a draft report supporting the recommendation for inclusion in the 90 day agenda for the Paris meeting, receive comments and submit the final report and recommendation in time for inclusion in the 30 day agenda.

Chris Daykin  
30 October 2005

## **Annex**

Options for taking forward the discussions between the IAA and the World Bank on developing actuarial education and professional development in actuarially less developed countries

### **Option 1- Paradigm change (IAA Credentials)**

An obvious question is why the IAA does not develop and administer its own international examinations to provide a sustainable and more efficient solution to the problem of qualifying actuaries in ALD and small countries. That would represent a strategic step forward that would support the objective of global credentials.

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As by definition all full member associations comply with the IAA Core Syllabus, their qualification process (and in particular the professional examination systems run by member associations) would be rated as at least equivalent to the IAA credential. Thus member associations would equally benefit from the credibility of IAA global credential umbrella and the IAA could represent that all globally qualified actuaries meet the minimum IAA credential.

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### **Option 2- No paradigm change (No IAA credentials)**

The Advice & Assistance Committee is working with the World Bank and other donor agencies to try to devise a strategy for providing sound actuarial education and professional development in many actuarially less developed countries. This may be able to be achieved with a hotch-potch of arrangements, using local professional exams, subsidizing international exams, providing study material and supporting the development of university programs. In this case one would be looking to establish university based education in many countries for a fairly small likely throughput of actuarial students, or else relying on awarding scholarships to study at regional centres.

On the basis of current exchanges with WB and FIRST, this ad hoc approach would appear to fit with their limited short term objectives, whereby the support would be directed at a number of selected countries to meet immediate specific needs, even though a better long term solution might be along the lines of Option 1. Support of this nature could help some countries to reach more quickly the point at which they will be able to meet IAA full

membership requirements. It is likely, however, that for many countries the capacity to continue to produce actuaries and maintain quality would not survive beyond the duration of the support program, since local resources would not achieve a self-sustaining level under current conditions. Therefore, although such a strategy would help in the short term, it would probably not represent a durable response to the challenge of providing sound actuarial education and professional development in many actuarially less developed countries and also in many small countries.

Also, although it might narrow variations between jurisdictions in the quality of actuarial education, it would not provide guarantees regarding the quality of different actuarial qualifications.

### **Option 3: Working in parallel with WB/FIRST**

An intermediate option would be for the IAA to pursue its own long term strategy as described in Option 1 but also look for ways to accommodate some of the short-term objectives mentioned above. Any external financing secured under an Option 2 strategy could help significantly to reduce the costs of putting in place a global IAA credential and international exams under Option1, for example in relation to the production and translation of study material and the creation of distance-learning programs.

There is a risk that such an option could derail the pursuit of our strategic objective by absorbing scarce resources and offering both an escape road and an excuse for procrastination. However, if the A&A Committee can confirm to its counterparts that the IAA is actively considering the development and the implementation of a global actuarial credential which would be supported by international exams, study material, education and CPD support, it may greatly influence the orientation of the exchanges. The ability for the IAA to give guarantee as to the quality of actuarial qualifications and the enhancement of the capacity to increase the quantity and quality of actuaries in ALD should overlap sufficiently with some of the WB objectives to enable some financing to be secured in support of our longer term objectives. Indeed the donor agencies may come to see such a strategy as a key element in what they would like to achieve.