A Global View of the Actuarial Profession

Presentation to the Joint Meeting with World Health Organization

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President, IAA
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The origin of the profession

- “actuarius” was the business manager of the Senate of Ancient Rome
- Term first applied to a mathematician in 1775 at the Equitable Life Assurance Society, London, UK
- By 1850 actuaries active in life insurance, friendly societies and pension schemes
- Expanded to non-life, health care, social security, banking, corporate finance, financial engineering
Actuarial roles

- design and pricing of products
- establishing provisions, managing solvency
- financial reporting
- risk assessment and management
- investment management
- dynamic financial analysis
- public interest roles in regulation, supervision and reporting
Better definitions of “Actuary”? 

- “The professional who makes financial sense of the future.”

- “The professional who manages the financial consequences of the uncertain.”

- “The professional who evaluates the current financial consequence of contingent future events.”
Better definitions of “Actuary”? 

- The actuary uses mathematical and statistical techniques to solve problems relating to the evaluation and management of risk, especially in relation to financial instruments and the management of financial institutions such as insurance companies and pension and benefits plans.
<table>
<thead>
<tr>
<th>Association</th>
<th>Year</th>
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<tbody>
<tr>
<td>Institute of Actuaries, London</td>
<td>1848</td>
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<td>Faculty of Actuaries in Scotland</td>
<td>1856</td>
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<td>Association of Mathematical Advisers in Dutch Life Insurance Companies</td>
<td>1888</td>
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<tr>
<td>Actuarial Society of America</td>
<td>1889</td>
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<td>French Institute of Actuaries</td>
<td>1890</td>
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<td>Royal Association of Belgian Actuaries</td>
<td>1895</td>
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<td>International Actuarial Association</td>
<td>1895</td>
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<td>Italian Association for Actuarial Science</td>
<td>1897</td>
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<td>Actuarial Society of Australia</td>
<td>1897</td>
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<tr>
<td>Institute of Actuaries of Japan</td>
<td>1899</td>
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1895: “Comité Permanent des Congrès d’actuaires” founded in Brussels as an association of individual actuaries

1968: Name changed to IAA

1957: ASTIN (Actuarial Studies in Non-Life)


1991: IPEF (International Promotion and Education Fund)

1995: IFAA (International Forum of Actuarial Associations)

1998: IAA restructured

1999: IACA (International Association of Consulting Actuaries) created in 1968 becomes a Section
International Actuarial Congress

- Generally held every four years
  - 2006: 28th, Paris, France
  - 2002: 27th, Cancún, Mexico
  - 1998: 26th, Birmingham, UK
  - 1995: 25th, Brussels, Belgium (Centenary)
  - 1992: 24th, Montréal, Canada
  - 1988: 23rd, Helsinki, Finland
  - 1984: 22nd, Sydney, Australia
  - ........ ............ ............
  - 1895: 1st, Brussels, Belgium
The profession responds to globalization

- Up to 1998, IAA and its sections were more focused on serving individuals regarding the scientific aspects of the profession.
- The creation of IFAA responded to the need to give special attention to professional and education standards for the associations.
- IAA re-organized in 1998 as an association of associations incorporated under Swiss law; Secretariat moved to Ottawa, Canada.
- IFAA dissolved and local associations pay IAA fees on behalf of all their fully qualified members.
A truly global profession

- The actuarial profession, with the IAA regrouping the national associations, is the most truly globally organized profession.

- IAA is recognized as a non-profit, non-political and non-governmental organization by the United Nations and by the International Labour Office.

- Reciprocal links with the International Social Security Association, the International Accounting Standards Committee and the International Association of Insurance Supervisors.
Outreach of the IAA

- Web site at www.actuaries.org
- Bilingual; multi-lingual facilities coming
- Geographic rotation of meetings, e.g.:
  - January 1998: Paphos, Cyprus
  - June 1998: Coventry/Birmingham, UK
  - November 1998: Cape Town, South Africa
  - April 1999: Madrid, Spain
  - August 1999: Tokyo, Japan
  - December 1999: Paris, France
  - May 2000: Jerusalem, Israel
  - November 2000: Ottawa, Canada
  - April 2001: Estoril, Portugal
  - October 2001: Hong Kong, China
  - March 2002: Cancún, Mexico
Achieving full representation

- President elected annually for one calendar year, a year in advance

- Rotation by regions over a 6 year period:
  - Europe
  - Canada & USA
  - Rest of the world

- Stipulations on range of skills and practice areas, cultural, geographic and linguistic diversity in Committees and leadership

- Electronic or mail votes and proxies accepted
Current membership status

- IAA currently has 46 Full members plus 22 Observer members comprising over 30,000 fully qualified actuaries in 50 countries.

- 3 Institutional Members (IASB, IAIS, ISSA)

- Individuals can exceptionally become members of IAA directly when they cannot do so through a national association.
Structure of the IAA

- **Council:** Officers and Delegates of Full member associations and Sections
- **Executive Committee:** Officers and Chairs of Committees and Sections
- **Sections:** ASTIN, AFIR, IACA
- **IAA Fund:** IPEF
- **Committees**
  - Sub-committees
  - Task Forces
  - Working groups
- **Secretariat:** permanent employees shared with the Canadian Institute of Actuaries, under the direction of the IAA Secretary General
Structure of the IAA

COUNCIL
Full & Assoc. Delegates
Section Heads
Committee Chairs

Executive Committee

Secretariat

Statutory Committees

Nominations
Audit

Other Committees

Accreditation
Advice & Assistance

China
Education

Financial Risks
IASB Ins. Acctg Stands

IASB Employee Benefits
Insurance Regulation

Professionalism
Services to Ind. Members

Social Security
Supranational Relations
Officer officers are elected annually by Council:

- President
- President-elect
- Immediate Past-president
- Secretary General

- Officers have no vote, except the President who has a casting vote

- Except for the Secretary General, cannot be re-elected to same position within 6 year period
Executive Committee

- Elected by Council
- Co-ordinates activities and operations
- Proposes strategies, budgets, membership fees and Council meeting venues
- Council may delegate non-reserved powers to the Executive Committee
- May transact business electronically or by conference call
Governance

- Full control vested in Council
- Delegates have 1 to 4 votes depending on size of association
- Simple majority of votes cast is required but some decisions require 2/3 or 4/5 majority
- Only Delegates of Full Members can vote to amend criteria and commitments for membership
- Council meets at least once a year in the fourth quarter to receive financial statement, adopt budget and approve fees.
Principle of subsidiarity

- IAA to be complementary to local and regional associations; costs reduced by avoiding duplications or overlap
- Focus on strategies and programs that require international coordination or are handled more efficiently across boundaries
- Sovereignty of associations protected by voting mechanism; Council Agenda to be posted on web site 90 days in advance (60 days for more routine items)
Regional organizations

- Groupe Consultatif des Associations d’Actuaires des Pays des Communautés Européennes:
  - 18 actuarial associations from 15 member states of EU

- Council of Presidents of actuarial associations of Canada, Mexico and USA, in parallel to NAFTA

- Regional Associations e.g. East Asian Actuarial Conference, Latin America Actuarial Conference,
Actuaries Office in Hong Kong

- Serves members and students in East Asia
  - China, Hong Kong, Taiwan, Malaysia, Singapore, Indonesia, Thailand, Philippines, Korea, Japan
- Financially supported jointly by
  - Actuarial Society of Hong Kong
  - Faculty of Actuaries & Institute of Actuaries (UK)
  - Institute of Actuaries of Australia
  - Society of Actuaries (Canada & USA)
- East Asian Actuarial Conferences, every two years; 1999, Korea; 2001, Hong Kong in conjunction with IAA Council
Full membership main conditions

- Code of professional conduct
  - Minimum is Code of “Groupe Consultatif”, similar to North American code
- Formal discipline process
- Minimum educational guidelines for new fully qualified members matriculating after 2005
- Formal process for adoption of Standards of Practice
- Pay annual fee per Fully Qualified Members (currently C$6.50)
A- Perform services with integrity, skill and care.
B- Fulfill professional responsibility.
C- Act not against the public interest.
D- Uphold reputation of actuarial profession.
E- Avoid publicity creating undue advantage.
F- Perform services with courtesy.

G- Cooperate with others serving same client.

H- Treat client information confidentially.

I- Perform services only if competent and appropriately experienced to do so.

J- Observe applicable practice standards.

K- Show professional findings clearly as own and offer availability for discussion.
L- Identify the client under which findings are provided.

M- Identify the role of the actuary with client relative to findings.

N- Avoid conflicts of interest which impede ability to act fairly unless full disclosure.

O- Consider appropriateness of consultation with prior actuary in newly taken assignments to ensure suitability.
Groupe Consultatif Principles
North America Code Precepts

- P- Disclose to client all sources of income related to service on client’s behalf.
- Q- Avoid publicity that cannot be substantiated or may be misleading.
- R- Be subject to discipline procedures.
- S- Accept decision of discipline process.
Formal discipline process

- Complaint process accessible to peers and third parties
- Due process of defence for members
- Independent and objective formal appeal process
- Sanctions appropriate to the level of offence
Financial Mathematics
Probability and Mathematical Statistics
Economics
Accounting
Modeling
Statistical Methods
Actuarial mathematics
Investment and Asset Management
Principles of Actuarial Management
Professionalism
Professional Standards Process

a. The proposal to consider a possible standard follows an established process.
b. The proposed standard is exposed to members, and where relevant, to third parties for comment.
c. Comments on the exposure draft are considered.
d. The standards are promulgated by an authority vested with such powers.
e. The standards are published and dispatched to member practitioners.
Committees

- Member associations may appoint a delegate to each Committee, except for Executive, Audit and Nominations Committees
- Chair and Vice-chair appointed by Council
- Committee meetings open to all Council Delegates or Alternate Delegates, except Executive Committee and Audit and Nominations Committees
- Mandates of Committees are representative of activities of IAA and of local actuarial professional associations
Committees of the IAA

- **Audit:**
  - review and recommend to Council the approval of the annual financial statements and the appointment of the auditor.

- **Nominations:**
  - recommend to the Council
    - the creation or dissolution of Committees, Task Forces, Working groups,
    - their Terms of Reference
    - names of suitable candidates to assume the duties of the key positions in the IAA.
Committees of the IAA

- **Accreditation:**
  - examine applications for Full Membership, and to review
  - implement the rules for the accreditation of individual members.

- **Advice and Assistance:**
  - provide advice and assistance
    - when requested by member associations, associations seeking to become members
    - to those wishing to establish new associations.
Committees of the IAA

iaisb Employee Benefits Standard:
- deal with matters arising out of the promulgation of the IASBC Employee Benefits Standard.

IASB Insurance Accounting Standard:
- deal with matters arising out of the promulgation of the IASB Insurance Accounting Standards.

(IASB: International Accounting Standards Board)
Committees of the IAA

Education:

- recommend education guidelines and a syllabus for an internationally recognized actuarial qualification
- recommend arrangements to facilitate the exchange of information about programs or opportunities for continuing professional development (CPD) available in the countries of member Associations
- encourage the development of internationally orientated actuaries
- consider arrangements for the build-up of a database with particular reference to CPD requirements.
Committees of the IAA

- **Insurance Regulation:**
  - liaise with the regulators and other interested bodies at the international level on issues relating to the regulation and supervision of insurance companies
  - assist in the development of international guidelines or standards.

- **Services to Individual Members:**
  - fulfill the various professional needs of the individual members within the IAA
  - facilitate communication among interested individual members
  - coordinate International Congresses
Committees of the IAA

Professionalism:

- identify issues relating to the professionalism of actuaries worldwide,
- recommend appropriate approaches, including standards of practice and qualifications in coordination with the expectations of other worldwide professional forums with respect to cross-border practice, communication of disciplinary actions,
- guidance to the associations in the interpretation and implementation of standards
- to monitor experience with the IAA standards.
Committees of the IAA

Supranational Relations:

- actively promote a higher profile for the actuarial profession on the international scene and its active participation in all areas where actuarial expertise can be drawn upon;

- seek the recognition of a proper status for the IAA by the relevant supranational organizations and focus on establishing and maintaining contacts with these supranational organizations

- encourage the publication in supranational media of articles by actuaries and generally take those actions deemed beneficial to the actuarial profession

- make representations and arrange meetings with the leaders of the supranational organizations.
Committees of the IAA

- **Social Security:**
  - liaise and work with the International Social Security Association (ISSA) in the development and promulgation of a standard of practice for actuaries making formal reports on social security systems
  - responsible for raising the profile of the actuarial role in relation to social security organizations and to support actuaries working in this field.

- **Financial Risks:**
  - develop actuarial positions and promote actuarial skills with respect to financial risks and investments.
Megatrends

- emphasis on professionalism
- globalization
- distinguish nation and non-nation specifics
- convergence of education standards
- expansion into non-traditional areas
- mutual recognition
- creation of associations in “less actuarially developed areas”