Role of the Advice and Assistance Committee of the IAA in helping the actuarial association to become a full member organisation

Experiences of the Estonian Actuarial Association

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- Chairman of A&A Committee
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For past 16 years has been active in insurance business as an actuary (property/casualty) in Estonia and internationally

Long-time active volunteer for the actuarial profession in Groupe Consultatif and IAA
IAA Background

- Worldwide association of professional actuarial associations (64 Full Member and 28 Associate Member associations)

MISSION:
- To represent the actuarial profession and promote its role, reputation and recognition in the international domain;
- To promote professionalism, develop education standards and encourage research, with the active involvement of its Member associations and Sections, in order to address changing needs.

PRINCIPLE of SUBSIDIARITY
- Activities restricted to strategies and programmes which require international coordination
- Will not become involved at national association level
Strategic Objective 4
- Support the development, organization and promotion of the actuarial profession in areas of the world in which it is not present or is not fully developed.

Priorities/Action Plans
- Help emerging and existing actuarial associations to develop.
- Facilitate the access to information and experiences from other countries, especially for countries with a developing actuarial profession.
Full member associations from South and Latin America:
– Argentina, Brazil, Mexico, Caribbean

Associate member associations from South and Latin America:
– Chile, Colombia, Panama

Association exists, but not active or not yet member of IAA:
– Bolivia, Ecuador, Uruguay, Venezuela

Where are the other countries?
IAA Background

International Actuarial Association
Organisational Chart

Council

Executive Committee

Full Member Associations

Associate Member Associations

Institutional Members

Observer Members

Subcommittees
- Communications
  - ASTIN Bulletin Management Board
  - Interim Actuarial Standards
- ERM TF
- General TF
- IAS19 TF
- Insurance Accounting TF
- Social Security TF
- Strategic Planning 
- Supranational Relations

Statutory Committees
- Audit and Finance
- Nominations

Other Committees / Working Groups
- Accreditation
  - Self Assessment
- Advice & Assistance
  - Africa
  - Asia
  - IAA Fund
  - Latin America
- Insurance Regulation
  - ComFrame
  - GIIA WG
  - Reinsurance
  - Solvency
- Microinsurance WG
- Mortality WG
- Pensions and Employee Benefits
  - Accounting Standards
- Professionalism
- Social Security
  - Population Issues WG

Sections
- ASTIN
- AFIR/ERM
- AWB
- IAAHS
- IACA
- LIFE
- PBSS

Working Group
- Environment

Task Forces
- Due Process
- Permanent Structure for IAS
- Regulated Professions
- Role of the Actuary

Secretariat
MISSION:

– To support the development, organization, and promotion of the actuarial profession in areas of the world in which the actuarial profession is not present or is not fully developed.

– We do this by providing advice and assistance, when requested.

– We deal with member actuarial associations, but also with the countries wishing to establish new actuarial associations or to strengthen existing actuarial associations.

– The advice and assistance may be focused on meeting the IAA membership requirements, or may be in general to develop the elements of actuarial education and actuarial profession in a country.
A&A – What do we do?

- We try to identify the countries, associations and persons interested in developing actuarial profession and actuarial education

- Our objective is to provide information, advice, and support to local stakeholders

- We evaluate the requests for advice and assistance to which IAA can respond

- We liaise with existing actuarial associations, local regulators, insurance industry, local actuaries, academics etc.
Typical focus areas

- Explain and discuss the role and importance of actuaries in sound management of insurance, pension, health, and other financial security mechanisms

- Provide advice and examples regarding creating and nurturing a local actuarial association

- Developing, maintaining and operating actuarial education, credential, and professionalism processes

- Facilitate formal and informal networking with other actuaries, actuarial associations, and resources worldwide
A&A is focused on supporting your local development of actuarial resources and helping to create sustainable local actuarial profession.

Our objective is your long-term solution.
A&A – How do we operate?

- Organizing and supporting informational and seminal meetings locally or regionally
- Facilitating the gathering of interested stakeholders
- Sharing information and ideas about the role of the actuary
- Discussing pathways to creating a strong local actuarial profession
- Providing ongoing advice and assistance to local stakeholders

- Offering examples and networking contacts around the world to assist local actuarial development

- Supporting local processes for your local actuarial association to join the IAA and the global actuarial profession

- Ongoing advice and assistance to new and small actuarial associations
Our role is to support your local actuarial development and resources – NOT to design, install or operate an actuarial association for you
Structure

– Parent committee

– Regional subcommittees to focus on the most active areas of the globe (Africa, Asia, Latin America)
  ‣ New regional subcommittee for Europe, Central Asia and Middle East planned

– IAA Fund Subcommittee focuses on organizing and supporting informational and seminal meetings – locally or regionally

– We tap other committees, existing associations, and volunteer actuaries to help extend our reach
A&A – How do we operate?

- We do not charge for our services
- We do seek local support in organizing and hosting local events
- We sometimes can provide financial support for travel and related expenses to enable local and regional actuaries/academics/regulators/other stakeholders to attend key events
AWB is a section of IAA
About 300 volunteers
AWB tries to make actuarial services available on temporary basis using its volunteers
Focus areas social security, ERM, pensions, insurance services, but it also contributes very much to the development of actuarial education and actuarial profession
Works through „target countries“

A&A may be seen as setting the policy and defining the „target countries“, AWB gives resources to carry out the required activities
The roles of A&A and AWB are currently under review and ToR’s will be updated soon
FOR MORE INFORMATION OR TO REQUEST ASSISTANCE

Please contact the IAA Secretariat
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More information www.actuaries.org
QUESTIONS SO FAR?
What are the key factors to keep in mind if you wish to be successful while establishing an actuarial association?
Hypothetical background

Consider the case where one or more of the following holds

- The economy / market is immature and / or small
- The market lacks transparency
- The position / role of actuary is not well defined
  => usually the actuaries are not well paid either
  => the association lacks resources
- The association is small and / or young
- There is no actuarial association
- …

How many of you would recognise your own situation?
Questions to be asked while establishing an actuarial association:

– What is the aim and purpose of the future organization?
– Who will be the members?
– Will it be organized as a professional association, as a body with aims limited to education and development or on some other basis?
– Will there be different membership levels and, if so, what will be the criteria for each of these?
– Is there an aspiration to form an organization which would meet the criteria for international accreditation, or be able to move towards that objective over time?
Introduction

To become a professional body the following aspects should be considered:

– Initial and continuing education
– Criteria for admission as a fully qualified actuary
– Establishing a code of professional conduct
– Putting in place a formal disciplinary process
– Adopting technical standards
Key factors – Interest

Among the actuaries, possible members
- perhaps we can achieve more while acting in a group?
- working together to gain more public recognition as a profession
- on open labour market being a member of profession perhaps gives more possibilities, but also strengthens the competition

Public interest
- what is an actuary?
- why we may need him?

Support from the industry and regulators

Support from abroad
The choice could be

- a “professional association whose aims of action include promoting actuarial profession, actuarial science and protecting the rights of its members”

OR

- a club of friends liking to meet each other
The mission statement of the IAA

– To represent the actuarial profession and promote its role, reputation and recognition in the international domain;
– To promote professionalism, develop education standards and encourage research, with the involvement of its Member Associations and Sections, in order to address changing needs

Would this be your association target also within local environment?
Key factors - membership

Topics to be discussed
- Identification of members
- Levels of membership vs qualification levels
- Are the initial members better than those who join afterwards?
Possible ways
- university based
- association examination system
- relying on other country systems
Long discussions before real establishment ...
...about the role of the association
  – What kind of association do we need?

...about the membership criteria
  – What kind of levels?
  – Are the old members better than the newcomers?

Our clear choice was
  – a “professional association whose aims of action include promoting actuarial profession, actuarial science and protecting the rights of its members”
Three distinct levels for membership

- Full member = fully qualified actuary
- Associate member = partly qualified, has passed certain first levels in the education system
- Student member = may still be in the beginning with his/her studies, but has strong interest to get close to the profession

Founding members did not automatically receive Full member status – they had to qualify exactly to the same rules as those who join later
Key factors – giving qualification

Depends largely on legislative environment, however
– the association should keep track of every members education path
– at least try to be recognized as qualification giving body

=> one way for the professional association to prove its existence
Membership and qualification structure

Formal documentation
– Bylaws
– Code of Conduct
– Disciplinary process
– Other standards and guidelines

If you have reached so far….

…you are well on the track to become member association of IAA!
Conditions for the membership in the IAA

First step – associate membership
- Existing association at least for 1 year
- Membership of at least 5 members at 3 different addresses
- Existing regulations or bylaws which are to be presented upon applying for membership
- Must pay fees and must not in any sense and at any time damage the reputation of actuarial profession

Why not think about more advanced stage – Full membership?
Conditions for the membership in the IAA

Criteria for Full Membership

2.2.2. (e) in the Internal Regulations of the IAA states that the Full Member association must not damage the reputation of the actuarial profession
Code of Professional Conduct

- 2.2.2. (f) in the IAA Internal Regulations state that a Full Member association must have the Code of Professional Conduct in place
- The section also states the minimum principles to be met
- The actual code may be stronger
- Language and cultural issues!

The Code must be fulfilled by all Full Members of the association

=> usually taught and examined within the Professionalism subject
Disciplinary Process

- 2.2.2. (g) in the IAA Internal Regulations state that a Full Member association must have the formal Disciplinary Process in place including complaint process, process of defence, independent appeal process and list of available sanctions including termination of membership.

- The Disciplinary Process must include regulation if and how the process and penalties are made public, including making this information available for other associations.

- Language and cultural issues!

All Full Members must be subject to the Disciplinary Process.

=> usually taught and examined within the Professionalism subject.
Standards of Practice

- 2.2.2. (h) in the IAA Internal Regulations state that if a Full Member association adopts standards of practice, there must be a formal process of adoption following certain criteria.

- However, adoption of standards is not an obligation.

IAA has due process for creating the international actuarial Standards of Practice and reviews the documents issued so far.

=> would be of great help to younger and smaller associations.
Key factors – leadership

Important to have enthusiastic leaders, but team work is important as well

- Professional attitude
- Possibility of individual involvement
- Regular meetings of all members
- Discussions on hot topics
Example from Estonia

- Established in January 1999

- First syllabus for actuarial education approved in July 2000, updated in 2009
- Code of Conduct in place since November 2000
- Discipline process in place since July 2001

- Full member of the IAA since October 2001

- Full member in the Groupe Consultatif since October 2004
Initial education given at Tartu University

- Successful graduates of Financial and Actuarial Mathematics master degree program equal to associate level in the association
- Other programs give possible exemptions from the required exams

Advanced education not fully available in Estonia

- responsibility of EAS to coordinate
- EAS has organised Actuarial Management Program and other one-off courses
- European Actuarial Academy program is popular
- possibility to enter the examination systems of other associations
Professionalism course
- To develop understanding of Professionalism, stress the importance of professional approach to all actuarial undertakings, handle critical situations etc
- Public interest
- Professional and regulatory role of an actuary
- Code of conduct, disciplinary process, statute book
- Standards of practice
- Other topics
- No exam, but active participation at the seminars is required

Example from Estonia
Communication skills

- This topic is assessed by EAL Education committee
- At least 30 minutes presentation on actuarial subject is the minimum requirement
- The report must be prepared in written and then orally presented
- Conference and seminar papers as well as conducting the seminars or courses at the universities are also accepted

Example from Estonia
CPD requirements
- Every qualified actuary has to take at least 48 hours of CPD in each 3 year period
- List of possibilities is given
- EAL keeps record in its database of the CPD hours for every member
- EAL has right to expel a member if the requirement is not fulfilled
Obligation to follow the House Rules

Members of Estonian Actuarial Society are obliged:
- to follow the EAS Book of Statutes and standing rule;
- to pay the appointed amount of admission fee and annual fees at the appointed time;
- to follow actuarial ethical principles, accepted code of conduct and EAS programme documents in their mundane work.

Repeated violation of EAS Book of Statutes, a serious offence of actuarial ethics or indebtedness of over a year can result in expulsion from EAS.
- Expulsion decision will be made by General Assembly at the motion of the Board.
The preamble of the Code of Conduct says

- *This Code of Professional Conduct states the ethical standards by which the actuary is expected to abide.*

- *This Code is obligatory to every full and associated member of Estonian Actuarial Society, if it is not said otherwise.*

- *Knowing the Code belongs to the list of professional responsibilities of the actuary.*

- *In this Code the word “client” refers to the person or institution who is directly consuming the services of an actuary or his employer.*
Visibility and being professional:

Cooperation with state bodies
- Financial Supervisory Authority
- Ministry of Finance

Topics include
- IRFS matters; setting up Solvency II environment; giving opinion on unisex tariffs; development of worker’s compensation insurance scheme; developing the Pillar II pension scheme; assistance on reporting - insurance statistics (mortality, etc); etc

Tries to be active on international level
- Organised the IAA biannual meetings in Tallinn in May 2009
Topics for discussion

- What are the main issues in general for your association in your country?
- How have you organised your membership?
- Do you organise actuarial education yourselves? Is your association also the qualification giving body?
- Is your association recognised as a professional body in your country?
- ....
Thank you! Questions?