First Iberian Congress of Actuaries

The IAA and Meeting the Challenges to the Actuarial Profession

David G. Hartman, FCAS, MAAA, FCIA
President of the IAA (2008)
First Iberian Congress of Actuaries

1º Congresso Ibérico de Actuários
Lisboa
Congresses

- International Congress of Actuaries held every four years
- Next one in Cape Town, South Africa in March of 2010
- After that in Washington, DC, in 2014.
• IAA is not-for-profit, non-political, non-governmental organization
• Secretariat in Ottawa, Canada
• 58 Full Members and 23 Associate Members
• 3 Institutional Members:
  • International Association of Insurance Supervisors (IAIS)
  • International Social Security Association (ISSA)
  • International Accounting Standards Board (IASB)
International Actuarial Association

• Fully qualified members of its Full Member associations are automatically members of the IAA
• 43,000 qualified actuaries from 102 countries
• 7 Sections covering various areas of practice
• 15 committees

Moving the actuarial profession forward internationally.
IAA 10th Anniversary

• IAA founded in 1895
• Tenth anniversary this year of its restructure as an association of associations
• History of the IAA and highlights of significant accomplishments during the past 10 years to be published
• Council and Committees meetings to be held in Québec City, Canada, June 11 – 14, 2008.
IAA Committees and Sections

- Through its Committees and Sections, the IAA enhances efficiency of its member associations
- Leveraging the combined capacity of its members, it can
  - more efficiently serve the public interest
  - facilitate expansion of intellectual capital of the profession and scope, quality, availability of actuarial services
- Full Member associations appoint representatives to IAA committees which
  - serve the profession
  - propose standards
  - define syllabus and education requirements
  - prepare briefs and public statements for regulatory bodies (IAIS, IASB, and OECD)
Key Activities

- Motivated to pool its resources, organized on a global basis in a way that optimizes the synergy within the actuarial profession.


  Major initiative to develop an International Actuarial Education Program (IAEP).

  - Program will assist member associations in providing high-level actuarial education.
  - Open new opportunities for students around the world by providing access to that education.
Key Activities

• Enterprise Risk Management – new concept of examining various risks of entities as a whole
  – IAA ERM strategy aims to “further and establish the position of the actuarial profession as the pre-eminent profession in the field of enterprise risk management”
  – Internationally recognized qualification as risk specialist

• In 2008 we will publish an Education Monograph on the Topic of Stochastic Processes and Modeling in Financial Reporting and Capital Assessment
Key Activities

• IFRS is becoming the basis of GAAP in most major jurisdictions outside North America
  – principle-based standards, as opposed to rules-based standards
  – IAA has published 9 Actuarial Standards of Practice to guide members in implementing the convergence
• In many areas of actuarial practice, development of one standard covering possible (legal) implications in all countries not possible to achieve in practice
  – same for enforcement of code of ethics, and country-specific qualifications
• Support of strong local associations in each jurisdiction
  – Autonomy and authority entails responsibilities for local or national associations
Strategic Planning - Vision

Earlier this year delegates to Council supported the following statements of vision, mission and values for the IAA:

Vision
The actuarial profession is recognized worldwide as a major player in the decision-making process within the financial services industry, in the area of social protection and in the management of risk, contributing to the well-being of society as a whole.
Mission
The mission of the IAA, as the worldwide organization of actuarial associations, is:

- 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; and
- to represent the actuarial profession and promote its role, reputation and recognition in the international domain.
Strategic Planning - Values

Values

The IAA adheres to the values of integrity, accountability, transparency, and objectivity when dealing with Member Associations, other stakeholders and the public.
Strategic Planning – Next Steps

Six strategic objectives proposed:
1. Relationships with key supranational audiences
2. Expansion of scientific knowledge to wider fields to enhance the scope, quality, and availability of actuarial services
3. Common standards of actuarial education and professionalism as well as guidance for actuarial practice
4. Support the development, organization, and promotion of the actuarial profession
5. Provide a forum for discussion
6. Globalization of the actuarial brand
Challenges and Opportunities

- Objectives will take years to accomplish
- Earn the right to be heard
- Qualifications and strong professional standards
- Distribution by area of practice has shifted, with life having lost its relative dominance in comparison to non-life, health, pension and social security
- Sizable practices in Enterprise Risk Management, investments and compliance. Such shifting will likely continue.
Full Membership

• Of 11 countries with a population of over 100 million, only 7 have Full Members of the IAA

• 4 large countries without a Full Member are China, Bangladesh, Russia, Nigeria

• On the basis of GDP, we miss only 2 of the top 10 – China and Russia
One Size Does Not Fit All

- Broad framework of global economic and social development
- Significant economic, demographic and environmental factors
- Population is growing, aging and migrating
- Needs for actuaries vary among developing, emerging, transitional and developed countries
Work as Actuaries

Most of the work we do as actuaries contributes to the well being of society as a whole.

• **Financial** – protecting solvency and sustainability of private sector and state entities through financial soundness and reserve adequacy criteria.

• **Risk management** – assessing risk and identifying ways of managing risk.

• **Social protection** – developing and maintaining systems of old-age income support and health care for people of all ages.

• **Role in regulation** – and making sure our voice is heard whenever policy decisions are to be made.
Looking specifically at the health area, the Health Section has numerous topic teams including:

- long-term care
- long-term care financing sources
- income protection
- medical expense
- critical illness
- risk adjustment
- traditional medicine
- developing countries
- public-private partnership
- and most recently micro-health insurance.
The PBSS has objectives relating to actuarial involvement in:

- pension reform and policy
- employee benefits, share options and other total compensation components
- planning, design, adequacy and system sustainability
- the economics of pensions and social security, insurance, pre-funding and other financing methods
- investment, asset/liability management, risk benefits and research.
Looking at the consulting practice area, IACA faces the challenges of

- balancing the public interest and the fiduciary client relationship
- handling conflicts of interest, of actuarial communications
- new areas of actuarial consulting practice
- new developments in Enterprise Risk Management
- and new developments in actuarial education.
IAA Life Section

Life Section objectives

• Research
• Exchange of information, knowledge and views
• Supply practical information
• Support technical development in developing countries
• Networking opportunities
ASTIN

ASTIN Section objectives

• promote actuarial research, particularly in non-life insurance
• push forward actuarial knowledge
• international exchange of views, advice, research and practical information for all aspects of non-life insurance, risk management and wider applications of statistical and actuarial modeling
• develop mathematical foundation of non-life insurance and reinsurance.
RISK
Sections of the IAA

• Rely on Sections of the IAA to
  – promote research
  – expand the frontiers of the profession
  – build bridges to other related professions.

• Great opportunities for
  – Continuing Professional Development
  – facilitate the exchange of views / information on an international basis

• Need to be proactive on issues within our area of expertise on which we can serve the public

• If there are issues IAA committees should be speaking out on, we have an obligation to alert them to do so
Congratulations to the Congress organizers

- An electronic copy of the presentations will be posted on the IAA web site (www.actuaries.org) making them accessible to all actuaries, in the same manner as we do for International Actuarial Congresses
- Virtual Global Actuarial Library accessible to all members on the IAA web site
- Advance the body of knowledge of actuarial science and its application
Thank you