



IAA Newsletter – June 2004

All underlined text is a link to an Internet web site. Click on the link to read the document.
Past issues are available [through this link](#).

Officers for 2004

Luis Huerta, President
Alf Guldberg, President-Elect

Yves Guérard, Secretary General
W. James MacGinnitie, Immediate Past President

What is Due When?

July 8, 2004:

[IAIS Draft Supervisory Standard on Suitable Forms of Capital](#)

September 12, 2004:

[IAIS Consultation Paper on the Proposed IAIS By-laws](#)

September 22, 2004:

[Strengthening the IASB's Deliberative Process](#)

Events

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NEW IAA PUBLICATION: A Global Framework for Insurer Solvency Assessment: A Research Report by the IAA's Insurer Solvency Assessment Working Party : [Order Your Copy Today While Copies are Still Available – CLICK HERE](#)

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- [Casualty Actuarial Society \(United States\)](#)

[Encyclopedia of Actuarial Science](#)

Events

IAA Events You Won't Want to Miss!

[IACA/PBSS/IAAust Conference](#)

October 31, 2004 to November 3, 2004
Sydney, Australia

IACA and the IAA Invite You to Sydney

By Mike Mills, Secretary Treasurer

Many have said that this century is going to be the century of Asia. Come to Sydney in beautiful warm Australia and join colleagues from around the world as prominent speakers from China and other Asian countries share their thoughts on how consulting actuaries can develop their practices in this exciting region. Sunday, October 31, 2004 will kick off a week of sessions with a great variety of topics and speakers arranged jointly by the International Association of Consulting Actuaries (IACA) and The International Actuarial Association (IAA) Pension Section. The topics of the IACA sessions will focus on consulting opportunities and challenges. There will be something for all as the sessions will cover investment topics, insurance and risk, and new fields of practice. The IAA Pension sessions will focus on demographic and social security issues. There will also be plenty of time for some fun and social interaction (November 1st is a big party day in Australia with the running of the Melbourne Cup horse race), and the chance to taste some good Aussie wine!

[XIVth AFIR Colloquium](#)

November 7-10, 2004 – Boston, Massachusetts, U.S.

Financial Risks Seminar

November 10, 2004 - Boston, Massachusetts, U.S.

[Council and Committee Meetings](#)

November 11-13, 2004 – Washington, D.C. U.S.

[28th International Congress of Actuaries](#)

May 28 – June 2, 2006 – Paris, France

Pre-registration is now open

Other Future Events

August 2-6, 2004, Lausanne, Switzerland: 17th International Summer School 2004 of the Swiss Association of Actuaries on Equity and Interest Rate Models: Theory and Applications. [Details](#)

September 2-4, 2004, Samos, Greece: [3rd Conference in Actuarial Science & Finance](#)

September 10, 2004, München, Germany: Groupe Consultatif's 17th Colloquium - *Long Term Care for the Suffering Insurance Industry: An Actuarial Challenge*.

http://www.gcactuaries.org/documents/17th_colloquium_brochure.pdf (Colloquium open to participants who are non-members of the Groupe Consultatif)

Long Range Planning

At its meeting on June 5, 2004, the Council approved the following locations for future meetings:

Fourth Quarter of 2006: Scotland, Edinburgh
Second Quarter of 2007: Mexico City, Mexico
June 2008 Québec City, Canada

The International Actuarial Events Calendar is the perfect tool for your long range planning. Visit it often through the link on the [IAA's home page](#). Member associations are encouraged to post their events in the calendar to make the tool as useful as possible.

Open Challenge for Matching Contributions

More financing is needed for the Bursary fund for the 28th International Congress of Actuaries that will take place in Paris, France in June 2006. Including the amount transferred from the Congress in Cancun, the amount available for Bursaries in 2006 is C\$53,750 compared with C\$107,330 in Cancun and C\$128,350 in Birmingham in 1998. The newly renamed Member Services Committee will be looking after the promotion and the allocation of Bursaries in accordance with rules previously adopted by Council. These rules aim at achieving a balance between:

- support to leaders, educators and students that can contribute to the development of the profession in their country
- support to individuals for research, scientific communications or an active participation in the program of the Congress as speaker, author of a paper or otherwise

Congresses are a unique opportunity for the IAA to reach out to new groups of people and expand its core of scientific knowledge. Bursaries are an essential tool towards achieving our strategic objectives. Member associations are thus being challenged to find new money to match the C\$53,750 already committed from the IAA itself so that the Member Services Committee can invest C\$107,494, about the Cancun level, in the future of the global actuarial profession.

Revised Due Process for International Actuarial Standards of Practice

In May 2000, Council approved a paper, prepared by the Professionalism Committee, on the due process for adopting international actuarial standards of practice. One of the responsibilities of the Professionalism Committee is to monitor how well the process works and, where appropriate, to recommend amendments for adoption by Council. This due process was applied in October 2002 for the adoption of the Social Security practice guidelines. In light of the experience gained with the adoption of these guidelines, the Professionalism Committee proposed the following amendments to the due process:

1. To encourage committees drafting standards to involve Full Member associations as actively as possible in the standard-setting process, including active involvement of representatives of Full Member associations in the development of the draft of the standard;
2. To encourage committees drafting standards to issue informal drafts or parts of drafts for comments before the formal due process exposure starts;
3. To shorten the preliminary exposure period from normally 6 months to normally 4 months in order to speed up the process where appropriate;
4. To allow changes to final exposure drafts on the Council agenda for approval to expose up to a month before the Council meeting. Such changes would be technical, non-substantial and straightforward in nature, and would be expected to increase the likelihood of consensus being achieved at the Council meeting; the changes would be recommended by the drafting committee and submitted to Council at least 30 days before the Council meeting. If substantial changes are needed, a second preliminary exposure draft would be approved by the chair of the drafting committee for promulgation and the promulgation notice should indicate the time limit for comments;
5. To shorten the final exposure period from normally at least 6 months to normally at least 4 months. Council would retain the option to require a longer or shorter period;
6. To allow changes up to 30 days before the vote to a final exposure draft put to vote by the Council for adoption as an International Actuarial Standard of Practice, provided that such changes, proposed by the drafting committee, are technical, non-substantial and straightforward in nature and are expected to increase the likelihood of consensus being achieved in the vote. The vote would take place at a Council meeting or electronically between Council meetings; and
7. In the case of evident reasonable consensus being achieved after the preliminary exposure period of a preliminary exposure draft of a practice guideline (Class 4 standard), Council might decide not to issue a final exposure draft for a further period of exposure, but instead vote to issue the guidelines on an experimental basis, with a view to early updating and revision in light of experience with their operation, provided that the Full Member associations were notified, at the time of the promulgation of the preliminary exposure draft, of the possibility of such action by Council.

The proposal was discussed at the Council meeting on June 5, 2004 in Stockholm and approved, with the addition of the following paragraph 2.4:

2.4 Standards of Practice of the Class 1, 2 or 3 type should first be introduced as Class 4 standards, in order to allow time for their orderly introduction and implementation by Member Associations, unless the Council should decide in any particular case to waive this requirement. If the intention is to move towards a stronger type of standard in due time, this should be proposed at the time of bringing forward a Class 4 standard, in order to give Member Associations time to prepare for the upgrading to a stronger type.

The full text of the due process is available on the Web Site or by [CLICKING HERE](#).

Report on the Development of Potential IAA Standards for Application with IASB Standards

The [March Special IAA Newsletter](#) on the development of potential IAA standards for application with IASB accounting standards included a discussion on a proposed revision to the due process for adopting IAA standards.

As reported in the foregoing article, the proposal was discussed and approved at the Stockholm Council meeting with one amendment. As a result of this amendment, it is the current intention of the Subcommittee on Actuarial Standards (the "Subcommittee") to recommend to the IAA President the approval for preliminary exposure of all standards currently in process as Class 4 standards, with the anticipation that the one entitled "Actuarial Practice When Providing Professional Services to Reporting Entities Concerning Financial Reporting of Insurance Contracts, Financial Instruments and Service Contracts Under International Financial Reporting Standards", may be proposed as a class 3 standard in due course.

As mentioned in the March Newsletter, the Subcommittee has been in the process of developing drafts of standards for actuaries dealing with either insurance contracts or investment contracts issued by insurers in connection with the International Accounting Standards Board's (IASB) International Financial Reporting Standards (IFRSs) or International Accounting Standards (IASs). Informal working drafts for these standards were distributed in April and May 2004 to known interested parties, so as to have the opportunity to receive comments before the publication of preliminary exposure drafts.

Although the time frame to the meeting of the Subcommittee in Stockholm was rather short, several substantive comments were received which, along with the informal drafts, were discussed on June 3 and 4 by both Subcommittee members and a large group of interested parties. As a result of the large interest and the comments received, the Subcommittee succeeded in its meetings in setting the stage for the development of the preliminary exposure drafts.

Currently, members of the Subcommittee are in the process of revising these exposure drafts to reflect the comments and discussion. Before publication, the revised standards will also be reviewed by staff of the Actuarial Standards Board (the "ASB"), the actuarial organization associated with the American Academy of Actuaries that adopts actuarial standards for the U.S. actuarial profession. (This assistance from the AAA should prove beneficial because of the ASB's long experience in developing actuarial standards in a highly litigious country.)

The Subcommittee's objective is to have the preliminary exposure drafts ready by the end of June. It is expected that the IAA President will then approve the promulgation and the dissemination of preliminary exposure drafts, for a 4-month exposure period.

The Subcommittee aims to develop final exposure drafts, reports on comments received, and bases of conclusions for review by the Council at its November 13, 2004 meeting in Washington. If recommended changes to preliminary exposure drafts are substantial, second preliminary exposure drafts will be produced instead of final exposure drafts. If recommended changes to the preliminary exposure drafts are not substantial, it will be proposed that Council approve the final exposure drafts. In line with the IAA due process, Council will also set the duration of the final exposure period before the ratification vote by Full Member Associations.

The Subcommittee is attempting to develop the following preliminary exposure drafts:

1. Actuarial practice - to provide guidance concerning the role of the actuary and actuarial practice relating to work performed related to IFRSs for insurance contracts, financial instruments and service contracts.
2. Contract classification – to provide guidance on the definition and classification of contracts issued primarily by insurers.
3. Embedded derivatives – to provide guidance regarding the types of embedded derivatives and

related measurement techniques.

4. Discretionary participating features – to appropriately identify and measure DPFs both within insurance contracts and financial instruments.
5. Liability adequacy tests – to provide guidance regarding the application of testing required in the phase I IFRS.
6. Measurement of the liability – to provide guidance to actuaries on the liability measurement of those contracts currently offered by insurance companies that do not meet the IASB definition of insurance contracts, such as investment contracts and service contracts.
7. Current estimates – to provide guidance on setting current best estimate assumptions.
8. Changes in accounting policy – to provide guidance to actuaries when an insurer elects to change accounting policies (N.B. - although IFRS 4 covering Insurance Contracts generally allows continuation of current accounting as applied to insurance contracts to continue, an insurer is permitted to change its accounting policy if the change represents an improvement as defined in IFRS 4).
9. Disclosures – to provide guidance to actuaries regarding various requirements in IAS 1, IAS 32 and IFRS 4 concerning information to be disclosed with insurers' financial statements, including loss development and sensitivity of alternative assumptions.

All of these IAA standards under development will be proposed as class 4 standards, practice guidelines, (in line with the amendment to the due process as discussed and approved in the Stockholm Council meeting). The subcommittee's intention is that, as experience is gained over time, the standard on Actuarial Practice will be considered to become a class 3 standard (recommended practice).

The Subcommittee looks forward to continued two-way communication, both with the representatives of IAA Member Associations and with other interested parties, including individual actuaries, who wish to raise issues of concern throughout this process. Only through this cooperation will the process work effectively and a quality set of actuarial standards result.

[Paul McCrossan](#) and [Francis Ruygt](#), co-chairs, Actuarial Standards Subcommittee

[Sam Gutterman](#), chair; [Paul McCrossan](#) and [Francis Ruygt](#), vice-chairs, Committee on Insurance Accounting

Report on the Council and Committee Meetings of June 2004 in Stockholm

The recent IAA Council and Committee meetings held in Stockholm, Sweden from June 2 to 5, 2004 were a huge success with 170 delegates present and 52 accompanying persons representing 33 countries. Participating in these meetings were representatives from 38 of the Full Member associations, 2 Associate Member associations, all six Sections, and 2 Institutional Members.



The meetings were preceded by the 100th anniversary celebrations of the Svenska Aktuarieföreningen on the evening of June 2, 2004, where the IAA President, Luis Huerta, proudly presented the association with a hand blown crystal globe encompassing a smaller lit globe of the IAA.



The Nominations Committee and the Task Force on Strategic Planning met on June 2, but most of the committee meetings took place on June 3 and 4, ending with the Council meeting on June 5. The meetings ended with a beautiful dinner cruise on the Baltic Sea hosted by the Svenska Aktuarieföreningen. A memorable event for all those who attended!

The voting rights represented at the Council meeting, including four proxies and one ballot, totaled 83.33%. President Luis Huerta opened the meeting with a moment of silence in memory of Catherine Prime, Past President of the IAA, past chair of the IAA Committees on Advice and Assistance and for China, and a very active participant in many IAA activities.

He then reported on his activities since assuming the presidency on January 1, 2004. You can read all the details [online](#).



Secretary General Yves Guérard updated Council on the IAA's finances and administrative issues. His full report is also available [online](#).

As recommended by the Nominations Committee, the Council approved a name change for the Committee on Services to Individual Members, now known as the Member Services Committee, along with the following terms of reference.

Objectives

1. To serve the needs and interests of actuaries as individual members within the IAA.
2. To facilitate communication with and among all individual members of the IAA.
3. To recommend to the Council activities and services that are of benefit to individual members.
4. To administer funds designated for the benefit of individual members.
5. To encourage the involvement of all members with IAA activities.

Terms of Reference

1. Congresses
 - To review and report to Council on the organization and preparations for Congresses and recommend future locations.
 - To provide support to the Congress Committee, especially regarding the liaison with the IAA, its various entities and member associations.
 - To monitor the financial position of Congresses, review their final report and make recommendations to the Council on the disposition of surpluses.
2. To recommend to Council perspectives on future developments to anticipate and serve the changing needs of individual members and their associations. Sections
 - To encourage the formation of Sections as deemed useful to cover specific areas of actuarial interest.
 - To review and recommend to the Nominations Committee the Rules of any newly proposed Section and revisions to existing Rules.
3. Access
 - To review from time to time the need and requirements for access to IAA facilities where an individual cannot join the IAA via a Member Association.
4. Services
 - To review services and activities offered to individual members and make recommendations to the Council.
 - To review and report to Council on the level of involvement of individual members with the IAA and its activities.
5. Communications
 - To advise the Secretariat regarding the IAA Website and communications to individual members.
 - To provide a regular report to Council on the effectiveness of communications with and between individual members.
6. Finances
 - To administer funds designated for the benefit of individual members including the Congress Fund.
 - To take steps to augment the funds as required.
 - To oversee the promotion and allocation of bursaries for Congress attendance.
 - To authorize transfers of funds by the Secretariat to a Congress Committee as a reimbursable advance for initial expenses.

Membership

Chairperson and Vice-Chairperson (appointed by the Nominations Committee)

Actuaries from various countries with a particular interest in the objectives of the Committee (appointed by the Nominations Committee)

President of the IAA

Past President (or President-elect) of the IAA

Secretary General of the IAA

Chairperson of each Section

A representative of the last held Congress

Two representatives of the next Congress Committee

A representative from each agreed future Congress

On the recommendation of the Nominations Committee, the Council approved the following appointments to committee leadership positions:

Norbert Heinen, Chairperson, Accreditation Committee (for an additional one-year term starting January 1, 2004 and ending December 31, 2004)
Ulrich Orbanz, Vice-Chairperson, Education Committee (for an additional one-year term starting January 1, 2004 and ending December 31, 2004)
Juan Carlos Padilla, Vice-Chairperson, Accreditation Committee (for an additional one-year term starting January 1, 2004 and ending December 31, 2004)
Jean-Michel Kupper, Delegate, Pensions, Benefits, and Social Security Section
Edward J. Levay, Delegate, ASTIN Section
Rolf Stölting, Vice-Chairperson, Solvency Subcommittee of the Committee on Insurance Regulation

Appointments of Association Delegates to Committees

Accounting Standards (Subcommittee of the Pensions and Employee Benefits Committee)

Costa Economou, Actuarial Society of South Africa
Esko Kivisaari, Suomen Aktuaariyhdistys (Finland)

Accreditation

Erik Alm, Svenska Aktuarieföreningen (Sweden)
Juan Carlos Padilla, Colegio Nacional de Actuarios A. C. (Mexico)

Actuarial Standards (Subcommittee of the Insurance Accounting Committee)

Marika Guralnik, Eesti Aktuaaride Liit (Estonia)
Gyula Horvath, Magyar Aktuárius Társaság (Hungary)
Burt Jay, American Academy of Actuaries

Advice and Assistance

James MacGinnitie, American Academy of Actuaries (US) (to replace Robert Collett)

Education

Peter Diethelm, Association Suisse des Actuaires (Switzerland) (to replace Hans Werner Kreis)
Svetlana Dudkina, Eesti Aktuaaride Liit (Estonia)
S Madhusudhanan, Actuarial Society of India (to replace S. Raju)
Leonie Tickle, Institute of Actuaries of Australia (replace David Service)

Financial Risks

Kenneth Buffin, Conference of Consulting Actuaries (US)
Artur Chmielewski, Svenska Aktuarieföreningen (Sweden) (to replace Alf Guldberg)
Svetlana Dudkina, Eesti Aktuaaride Liit (Estonia)
Kurt Lambrechts, Association Royale des Actuaires Belges (ARAB) (Belgium)

Insurance Accounting

Richard O'Sullivan, Society of Actuaries in Ireland (to replace Tony Jeffery)
V Rajagopalan, Actuarial Society of India (to replace Liyaquat Khan)
Jaanus Sibul, Eesti Aktuaaride Liit (Estonia)
Jaanus Sibul, Eesti Aktuaaride Liit (Estonia)
Tuomo Virolainen, Svenska Aktuarieföreningen (Sweden)

Insurance Regulation

Christiane Hwey-Jen Tsai, Instituto Brasileiro de Atuária (Brazil) (to replace Nelson Emiliano Costa)
Philipp Keller, Association Suisse des Actuaires (Switzerland)
Richard J. Roth, Conference of Consulting Actuaries (US) (to replace Robert E. Wilcox)
Rolf Stölting, Deutsche Aktuarvereinigung e. V. (DAV) (Germany) (to replace Rainer Fürhaupter)
Therese Vaughan, American Academy of Actuaries (US)
Eret Võsa, Eesti Aktuaaride Liit (Estonia)

Pensions and Employee Benefits

John P. Parks, Conference of Consulting Actuaries (US) (to replace Vince Amoroso)
Hannu Parviainen, Suomen Aktuaariyhdistys (Finland) (to replace Esko Kivisaari)

J S Salunkhe, Actuarial Society of India (to replace M C Chakravarty)
Jose Manuel Septien, Colegio Nacional de Actuarios A. C. (Mexico)

Professionalism

Mario Beltran, Colegio Nacional de Actuarios A. C. (Mexico)
Norman Crowder, Conference of Consulting Actuaries (US) (to replace Dennis M. Polisner)
David Bernard Martin, Faculty of Actuaries (UK) (replaces Fraser Low)
Michael Alan Pomery, Institute of Actuaries (UK) (replaces Chris Daykin)

Social Security

Kenneth Buffin, Conference of Consulting Actuaries (US) (to replace Vince Amoroso)
Jan Hagberg, Svenska Aktuarieföreningen (Sweden)
Geoffrey Nzau, Actuarial Society of South Africa

Solvency (Subcommittee of the Committee on Insurance Regulation)

Félix Arias Bergada, Col.legi d'Actuaris de Catalunya (Spain)
Anthony Bice, Institute of Actuaries (UK)
Allen Brender, Canadian Institute of Actuaries
Tenny Chong, Actuarial Society of Hong Kong
Tony Coleman, Institute of Actuaries of Australia
John Darvell, Faculty of Actuaries (UK)
R. Kannan, Actuarial Society of India
Toshihiro Kawano, Institute of Actuaries of Japan
Philipp Keller, Association Suisse des Actuaire (Switzerland)
Christoph Krischanitz, Aktuarvereinigung Österreichs (AVÖ) (Austria)
Glenn Meyers, Casualty Actuarial Society (US)
Harry Panjer, Society of Actuaries (US)
Manuel Peraita, Instituto de Actuarios Españoles (Spain)
Frank Rasmussen, Den Danske Aktuarforening (Denmark)
Norma Alicia Rosas, Colegio Nacional de Actuarios A. C. (Mexico)
Richard J. Roth, Conference of Consulting Actuaries (US)
Arne Sandström, Svenska Aktuarieföreningen (Sweden)
Nino Savelli, Istituto Italiano degli Attuari (Italy)
Hantie van Heerden, Actuarial Society of South Africa
Therese Vaughan, American Academy of Actuaries (US)
Eret Võsa, Eesti Aktuaaride Liit (Estonia)
Roberto Westenberger, Instituto Brasileiro de Atuária (IBA) (Brazil)

Supranational Relations

Graham Rogers, Institute of Actuaries of Australia (to replace Catherine Prime)

Note: Full Member Associations can submit nominations for committee representatives (except for the following committees: Executive, Nominations, Audit, and Services for Individual Members).

Council also recognized the contribution of the following past Committee Chairpersons who were present to receive a plaque of recognition:

Bob Collett, Chairperson, Advice and Assistance Committee, 1999-2002 (*upper left*)

Peter Kuys, Chairperson, Committee on Insurance Regulation, 1998-1999 (*upper right*)

Stuart Leckie, Chairperson, China Subcommittee, 1999-2002 (*bottom left*)

Andrew Young, Chairperson, Committee on Social Security, 1999-2001 (*bottom right*)



Association and Section Dues for 2005

At its meeting on June 5, 2004 in Stockholm, Sweden, the Council of the IAA approved the setting of dues payable by Full Member associations for the year 2005 to CAD \$10 per fully qualified actuary (FQA).

The dues invoices will be sent to member associations shortly with a request for payment by January 31, 2005. As in previous years, the IAA Secretariat seeks assistance from its member associations in collecting the dues from their individual members who also wish to join a section. There are now six sections that individuals can join. They are:

AFIR: FQA's and Individuals: \$40
Full and Associate Members: \$80
Donation Members: \$850

ASTIN: FQA's and Individuals: \$40
Full and Associate Members: \$80
Donation Members: \$80

AWF: FQA's and Individuals: \$20
(Actuaries Without Frontiers)

IAAHS: FQA's and Individuals: \$40
(Health Section)

IACA: Ordinary Members: \$40
(International Association of Consulting Actuaries)
Honorary Members (Retirees): \$10

PBSS: FQA's and Individuals: \$40
(Pensions, Benefits, Social Security)

Member associations are reminded that it is very important that the IAA Secretariat receive their list of fully qualified actuaries as soon as possible.

(all amounts are in Canadian dollars)

Update on the Work of IAA Committees

Education

Subject to a few minor changes, the Process of Assessment of Education Guidelines Document was approved unanimously by members of both the Education and Accreditation Committees who were present at the Stockholm meeting. It was noted that there was no need for further approval by Council as the Education Committee has the responsibility to develop the assessment process as one of its terms of reference in conjunction with the Accreditation Committee.

There was further discussion on the self-assessment questionnaire which was presented as Appendix A of the process document. Sections A, C and D appear to cause no problems, but Section B needs reordering. A short introductory paragraph explaining that Section B is attempting to get an overall view of the education system used by the Association will be added. Other current questions will be reordered in Section B. It was agreed that the amended Section B will be circulated again to the Committees in the next few weeks after review by the sub-group.

It was agreed that the Assessment Sub-Committee should be appointed by the Chairperson of the Education Committee in consultation with the Vice-Chairs and that it should be representative of all associations and include, for example, representation from small European associations. The process document (paragraph 8) suggests that the Sub-Committee should have 6 – 8 members and be representative of types of education systems and geographical regions. Association size will also be considered. Anyone wishing to have their name considered for the Sub-Committee should submit it to Cecil Bykerk (cecil.bykerk@mutualofomaha.com) no later than June 30.

It was hoped that the Sub-Committee could have its first meeting in September. It might be possible to start initial work on the assessment of some associations so that this can be reported at the next meeting in Washington in November 2004. The aim will be to have all current Full Member associations assessed with respect to education requirements by 31 December 2005.

[Cecil Bykerk](#), Chairperson

Financial Risks

Risk Management

The issue of the role of actuaries in risk management was raised at the June IAA meetings in Stockholm, both at the Executive Committee and at the Financial Risks Committee. The background to this is the growth in the risk management industry in business outside the traditional areas in which actuaries operate. This is true of the financial services sector (e.g. banking), of sectors such as utilities and natural resources, right through to all substantial businesses that have started to look systematically at risks to their enterprise. Actuaries have, inter alia, portrayed themselves as the risk management profession, but we do not relate to the large and increasing population of risk managers.

The issues for the actuarial profession include –

1. How do we want to relate to a much larger and broader industry than our comparatively narrow specialties of insurance and pensions?
2. How can we absorb the growth of knowledge in areas such as banking?
3. Should we become involved and encourage the development of a broad and inclusive risk management profession that would introduce its own examination system?
4. How should we relate to the increasing teaching of risk in universities and to the development of research?

5. There is a parallel in the investment industry. Forty years ago, actuaries were virtually the only professionals in the investment area. Now we have been marginalized and the CFA designation is the recognized worldwide qualification.

We need to decide how to relate to this new group. A possibility is to encourage the establishment of an Enterprise Risk Management Institute on a worldwide basis that could spearhead development of a new profession. Actuaries have to decide – on a worldwide basis – how we relate to these issues.

The IAA Financial Risks Committee has set up a working group, chaired by Tony Coleman (Australia) to look at these matters and make recommendations.

[David Kingston](#), Chairperson

Insurance Regulation

At its meeting in Stockholm, the committee received a presentation by Lonnie McPherson from the IAIS. Recent submissions to the IAIS include a response on Suitable Forms of Capital and on the Consultation Paper on the Proposed IAIS Bylaws. Other contributions to the IAIS work include solvency and reinsurance. Arrangements are ongoing for IAA presentations during the IAIS Annual Meeting scheduled for October 6-8, 2004 in Amman, Jordan.

Discussions on solvency included presentations by Vesa Ronkainen, EU Commission; Henrik Bjerre-Nielsen, CEIOPS; and Bart DeSmet and Rolf Stölting, Groupe Consultatif.

The new Solvency Subcommittee has been formed with a view to closer co-operation between the Groupe Consultatif's project on Solvency II and the IAA. The new members are now in place.

[Jukka Rantala](#), Chairperson

Pensions and Employee Benefits

The Committee met on June 3, 2004 and 25 delegates and observers attended, representing 17 Member Associations.

IAS19

The Accounting Subcommittee reported on its deliberations on proposed revisions to IAS19. The Committee is to provide comments using the new fast track procedure by the July 21, 2004 deadline. The revisions mainly concern the alternative ways of recognising gains and losses and improved disclosures.

The Subcommittee also reported on the review of IAS19 overall, and the intention to provide a Position Paper well in advance of the IASB's own overall review of IAS19 which will take place in a year or two's time. Particular issues were the suggestion that the standard should be concerned with the Accrued Benefit Obligation (ABO) rather than the Projected Benefit Obligation (PBO), and that there should be appropriate mechanisms for smoothing the liabilities (but not the assets).

International Actuarial Standard

A task force had also been set up to review the possible content of an international actuarial standard for accounting for employee benefit costs. Such an actuarial standard would complement those being developed by the insurance committees for actuaries reporting under the proposed insurance accounting standard. A number of items were identified from a review of actuarial guidance and practice notes which exist in some Member Associations for actuaries carrying out accounting calculations and the taskforce has been asked to attempt a first draft. This will be developed as consistently as possible with the work of the insurance committees.

OECD

The OECD has invited the IAA to become an Observer Member of its Insurance Committee, and through that participate in its Private Pensions Working Party. Equally, the IAA has invited the OECD to become an Observer Member. The Chairman of the Committee has participated in a number of OECD events over the last year.

The Committee reviewed draft guidelines on Funding and Benefit Security which the OECD will be considering at a forthcoming meeting, and comments are being drafted.

The Committee agreed to extend an existing Groupe Consultatif Survey on Actuarial Methods and Assumptions, to include OECD countries outside of Europe.

IOPS

An International Association of Pension Supervisors is being established in July and the IAA has already been invited to participate. It is hoped that in due course the IAA can become an Observer Member. The IOPS will be comparable to the IAIS (International Association of Insurance Supervisors) and is expected to become an influential body with which it will be vital to have good links.

Global Actuarial Principles

The Committee noted that the topic of Global Actuarial Principles for Pension Funding had been included on the agenda for the PBSS seminar in Australia in November 2004 and that a \$1,000 prize was being offered for the best paper. The Committee will review the papers and discussion and decide subsequently how best to develop Global Actuarial Principles for Pension Funding.

[Paul Thornton](#), *Chairperson*

Social Security

The IAA, with effect in January 1, 2003, issued a set of *Guidelines of Actuarial Practice for Social Security Programs*. These guidelines were developed over an extensive period of consultation with members and represent a significant step for the IAA both in establishing such guidelines and in the particular area of Social Security where, often, only a limited number of members of each member association practice in each jurisdiction.

The guidelines can serve a number of useful purposes.

First, given that it is not common for a large number of members to work in the social security in each jurisdiction, the guidelines can be useful to these members informing the manner in which they carry out their responsibilities. Informal feedback received by the Social Security Committee so far has supported the value of the guidelines.

Second, the guidelines have been positively received by social security organizations, having originally been prepared at the request of the International Social Security Association (ISSA). In this respect, member associations may wish to reinforce or extend this usefulness by providing a copy to their local social security authorities. Such an initiative may reinforce existing liaison between member associations and the authorities, or may provide an opportunity to open such communication.

Third, in the case that a local social security scheme does not operate with the actuarial support that may be desirable, the guidelines may be a useful tool in encouraging a greater role for actuarial support to these schemes.

At a recent meeting, the Social Security Committee discussed the acceptance of the guidelines. It was considered that, whilst member associations had been made aware of the guidelines and a number of

them had taken some steps to promulgate them to their members, there was still an opportunity for the guidelines to be of value to practitioners through their wider recognition.

To this end, I would like to invite you to consider appropriate means to reinforce awareness of the existence of these guidelines with your members and with local social security authorities. A copy of the [guidelines](#) is available on the IAA website. Thank you for your continued support in the Committee's efforts.

[Hillevi Mannonen](#), Chairperson

Update on the Work of IAA Sections

ASTIN

ASTIN had its very successful 35th Colloquium in Bergen, Norway, June 6-9, 2004. About 185 delegates, with about 45 accompanying persons, from about 28 countries participated. Twenty-four papers on a variety of topics were presented. The chair of the Organizing Committee was Jostein Sorvoll.

The scientific program, chaired by Erik Bolviken, was led off by a keynote address by Dr. Stefan Lippe, Swiss Re executive board, Head of Property and Casualty, in which he connected the application of mathematics to the running of his company. The closing keynote address was given by Professor Jean Lemaire, the Wharton School of the University of Pennsylvania, on challenges to Actuarial Science in the 21st Century, including common sense, creativity and communication skills.

The three main topics of the scientific program were climatic change and insurance, insurance fraud, and genetics. All three topics stimulated thought on ways actuaries could either do further research or stimulate their employers to reduce risk in their companies.

The social program included a welcoming reception at Mount Floien high above Bergen, an afternoon boat trip through the beautiful Osterfjord on a rare, completely sunny day, and a gala dinner in Hakon's Hall, a medieval castle which had been built and used by the Vikings in the 13th century. In addition, the accompanying persons were able to see much of Bergen and its environs.

ASTIN's next colloquium will be in Zurich, Switzerland, in September of 2005 including a joint day with AFIR. There will not be a separate ASTIN Colloquium in 2006 in order to encourage participation in the International Congress. In June of 2007 the ASTIN Colloquium will be held in Orlando, Florida, at Disney World, where ASTIN will celebrate its jubilee 50th anniversary.

Elections

A general election will be held during the General Assembly of the 2005 ASTIN Colloquium, to take place in Zurich, Switzerland, September 5-7, 2005. One member will be elected to the ASTIN Committee to replace a recent vacancy due to retirement. Candidates for election should write to the ASTIN Chairman, David Hartman. Candidates sponsored by their national actuarial association will be given additional consideration.

[David Hartman](#), *Chairman*

IAAHS (Health Section)

The first General Meeting of Health Section members was convened during the Colloquium and the 12 members of the Interim Committee were elected as the Health Section's first leadership group. One half of Committee members elected in Dresden will serve for 2-year terms, the other 6 will serve full 4-year terms.

Membership Solicitation

The Section currently has over 325 members from 38 countries. The Committee's goal is to have 400 members by the end of 2004.

2nd International Health Colloquium

Our Dresden Colloquium was a huge success! More than 200 participants from 28 countries heard 42 excellent presentations. The Colloquium's success demonstrated once again that there is significant interest in an international forum addressing health matters. We are particularly grateful for help received from the DAV (German association) and its health actuaries who took the lead in organizing the Colloquium.

Way Forward

Now that we have a base of members, we want to expand Health Section activities by undertaking new activities using member-volunteers to work on various projects. The Committee used its meeting in Dresden to address how to proceed and to begin identifying specific topics and activities of interest to our members. The Committee continued its discussions in Stockholm and developed its "Way Forward" document.

The Committee accepted an offer from the Actuarial Society of South Africa (ASSA) to hold a Colloquium in Cape Town, South Africa in 2007.

[Howard Bolnick](#), *Chairman*

PBSS

The formation of the Pension, Benefits and Social Security (PBSS) Section was approved by the IAA Council in November 2003 and the section was launched in February 2004. Already more than 200 actuaries have joined the Section. Actuaries with an interest in pensions and/or social security matters who have not already joined are encouraged to view the PBSS website and register on-line as members of the section.

The first major activity of the section will be a two-day seminar on pensions and social security in Sydney, Australia, November 3-4, 2004, to be held in conjunction with the Conference of the International Association of Consulting Actuaries (IACA) section of the IAA, which will be taking place November 1-3. Full details of the Seminar and the Call for Papers, can be found on the PBSS section part of the IAA website, together with a link to the Conference site hosted by the Institute of Actuaries of Australia, where it is possible to register on-line for the PBSS Seminar or the IACA Conference or both.

The PBSS Section Committee met in Stockholm on June 5 to plan the Sydney seminar and to consider further activities for the section. Responses given by members to the online registration questionnaire suggest that we should give a high priority to establishing an electronic newsletter on pensions, benefits and social security matters. The Committee is actively seeking volunteers who might be interested in helping to set up and run such an electronic newsletter. The Committee is also considering the development of a website based library of research papers and other relevant documentation and would also welcome volunteers to help with this project.

[Chris Daykin](#), *Chairman*

News from Member Associations

Colegio Nacional de Actuarios A. C. (Mexico)

The Colegio Nacional de Actuarios, A.C. de México has moved. Please take note of their new address:

Colegio Nacional de Actuarios A. C.
Av. Felix Cuevas 301, Despacho 202
Col. Del Valle
México, D.F. 03100
Mexico

Casualty Actuarial Society (United States)

The Casualty Actuarial Society (CAS) is proud to present the results of two commissioned analyses showing the impact of fair value concepts applied to the loss and loss adjustment expense reserves of property/casualty insurance companies. These analyses also investigate issues that might arise with respect to presenting P&C loss reserves on a fair value basis in insurer financial statements.

In fall 2003, the CAS sent out a request for proposal (RFP) to selected consulting firms, seeking research on the impact of the following fair value concepts on property/casualty insurance company financial statements:

- Time value of money (versus not reflecting the time value of money, which is the most common U.S. GAAP practice); and
- Risk margins to reflect the market charge for uncertainty.

Originally, the CAS planned to provide limited support to one firm. However, the quality and quantity of responses to the RFP far exceeded expectations, and the CAS selected two consulting firms, the Tillinghast business of Towers Perrin and PricewaterhouseCoopers LLP. These firms performed the studies for a small fraction of their normal fees, in the interest of both research and industry service. These studies represent substantial donations of their time and intellectual capital to the industry as a whole, and for this they should be commended.

The analyses relied on actual data as much as possible, so the results are as illustrative as possible as to what “would have or will” happen versus what “theoretically should or might” happen. The CAS and the research firms believe that it is critical to provide policymakers with sound research information regarding possible impacts of fair value accounting decisions, and areas where proposals to date may need rethinking or additional detail.

The CAS is happy to provide copies of the book to interested parties. Please contact the CAS office at office@casact.org if you would like additional copies to pass on to your colleagues.

Encyclopedia of Actuarial Science

We are pleased to advise you that, with the assistance of many actuaries and actuarial associations, including the International Actuarial Association, Wiley UK has recently published an Encyclopedia of Actuarial Science. A website has been created (<http://www.wiley.com/legacy/wileychi/eoas/>) where you can obtain all the details of the Encyclopedia and information on how to order your own personal copy. This site has links to Wiley in the US, Canada, and Europe (UK and Germany). Asia and Australia do not have an online ordering facility at present, but email, phone and fax options exist.

In the 'introductory period' (to end-October 2004 in Europe, end-November 2004 for the Rest of the World) orders from any source will benefit from a special introductory price (approx. 20% discount). However, after the introductory offer expires, members of IAA member associations will remain entitled to claim the introductory price through a special IAA ordering code that will be available on the site.