



IAA

Special Newsletter

| International Actuarial Association | June 2012

Los Angeles
May 22-26,
2012

CONTENTS

- President's Report
- IAA Recognizes Outgoing Chairs
- Council
- Audit and Finance
- Accreditation Committee
- Advice and Assistance
 - › Africa Subcommittee
 - › Asia Subcommittee
 - › Latin America Subcommittee
- Education
- Enterprise and Financial Risk
- Executive Committee
 - › Environment Working Group
 - › Interim Actuarial Standards Subcommittee
 - › Supranational Relations Subcommittee
- Insurance Accounting
 - › Subcommittee on Education and Practice
- Insurance Regulation
 - › ComFrame Task Force
 - › Solvency Subcommittee
 - › Reinsurance Subcommittee
 - › Own Risk and Solvency Assessment Working Group
- Mortality Working Group
- Professionalism Committee
- Social Security Committee
- Actuaries Without Borders
- International Association of Consulting Actuaries
- President's Forum
- U.S. Organizations Host IAA Delegates
- Next Meetings

IAA in LA

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International Actuarial Association / Association Actuarielle Internationale

601 - 150 Metcalfe, Ottawa, Ontario K2P 1P1, Canada

+1-613-235-0886

+1-613-236-1386

www.actuaries.org

secretariat@actuaries.org

IAA



Special Newsletter

| International Actuarial Association | June 2012

This Special Newsletter reports on the discussions and action items arising from the IAA Council and committee meetings held in Los Angeles, United States, from May 22 to 26, 2012. These meetings, which were attended by 235 delegates representing 36 countries, comprised 42 different meetings filling 92 time slots over a period of five days.

Special guests in attendance included:

- Ian Ball, International Federation of Accountants (IFAC);
- John Instance, Board for Actuarial Standards (BAS);
- Prof. Krzysztof Ostaszewski, Geneva Association (GA);
- Gabor Hanak, Groupe Consultatif;
- Innocent Makoumbou, Inter-African Conference on Social Security (CIPRES);
- Ramón Calderon, International Association of Insurance Supervisors (IAIS); and
- Julie Gann, National Association of Insurance Commissioners (NAIC).

President's Report

The report of President Desmond Smith focused on the following points:

- Outreach activities, including meetings with supranational organizations and presentations by the Officers and other IAA representatives;
- An update on Memoranda of Understanding (MoU), including the most recent signed with the International Accounting Standards Board ([IASB](#)), and upcoming MoU with the [Organization for Economic Co-operation and Development](#) and with the [IAIS](#).
- Recent public statements, including a [letter](#) updating the 2011 Report to the G-20 from the Private Sector Task Force of Regulated Professions and Industries; and

- Update on recently published [news releases](#), [newsletters](#), and the [2011 Annual Report](#).

IAA Recognizes Outgoing Chairs

At these meetings, the IAA recognized, through the award of a plaque, the following outgoing chairpersons whose term of office had ended on December 31, 2012:

- Ken Buffin, Chair of the IACA Section from 2010 to 2012
- Chris Daykin, Chair of the PBSS Section from 2003 to 2012
- Sam Gutterman, Chair of the Insurance Accounting Committee from 1997 to 2011
- Francis Ruygt, Co-Chair of the Actuarial Standards Subcommittee of the Insurance Accounting Committee from 2002 to 2011



The IAA expresses its gratitude to these volunteers for their dedication and invaluable contribution to the work of the IAA over the years.

Above, from top: Ken Buffin, Chris Daykin, Sam Gutterman, and Francis Ruygt.

Council

The highlight of the Council meeting featured a [presentation](#) by Ian Ball, Chief Executive Officer of the International Federation of Accountants (IFAC). Ian presented to Council on the operations of the IFAC and addressed the relationship between actuaries and auditors in achieving high standards in financial reporting and the overall need for convergence in the financial sector.

IAA



Special Newsletter

| International Actuarial Association | June 2012



Members of the IAA Council pictured during the meeting in Los Angeles.

To commemorate the occasion, President Desmond Smith presented Ian Ball with a copy of the IAA publication [Stochastic Modeling – Theory and Reality from an Actuarial Perspective](#).

Council unanimously approved the admission of The Actuarial Association of Uganda and the Society of Actuaries of Namibia as Associate Members of the IAA, bringing the total number of Associate Member associations to 28.

Other matters approved by the Council include:

- [Statement of Objectives](#) for International Standards of Actuarial Practice (ISAPs);
- [Due Process for International Actuarial Notes](#);
- Revised Rules for the [IACA](#) and [IAAHS](#) Sections;
- Revised [Regulations](#) for the International Congress of Actuaries 2014;
- Revised Education [Syllabus](#) and [Guidelines](#); and



Ian Ball, left, with IAA President Desmond Smith.

- Level of dues for 2013 (to remain unchanged from 2012).

Council did not vote on a motion to revise the role of the Secretary General; rather, the discussion focused on whether or not the function should be retained. It was agreed to circulate the comments made at the meeting to all Delegates with a request for additional comments. Based on this feedback, a recommendation on the way forward will be presented to Council in Nassau.

Council received a [report on the implementation of the strategic plan](#) and a [five-year business plan](#). There was support for adding branding as a strategic objective; formal approval will be sought through an electronic ballot of Council.

Presentations were made to update Council on: i) [the development of a strategic plan for ISAPs](#); ii) [the work of the Interim Actuarial Standards Subcommittee \(IASSC\)](#); and iii) [the report of the Task Force on a Permanent Structure for ISAPs](#). There was support to transform the IASSC into the Actuarial Standards Committee, reporting to the EC but with membership approved by Council on the recommendation of the Nominations

IAA



Special Newsletter

| International Actuarial Association | June 2012

Committee. Formal approval will be sought through an electronic ballot of Council. There was no support at this time to proceed with an Oversight Board.

Council supported the [interpretation document](#) for the principle of subsidiarity; formal approval will be sought through an electronic ballot of Council.

The Work of Committees and Sections

Audit and Finance (A&F)

Mike McLaughlin, Chairperson

The committee approved the minutes from the previous meeting and agreed to the report by the Director of Finance. A good discussion took place regarding the Q1 financials and IAA tax status. Action items from the meeting include:

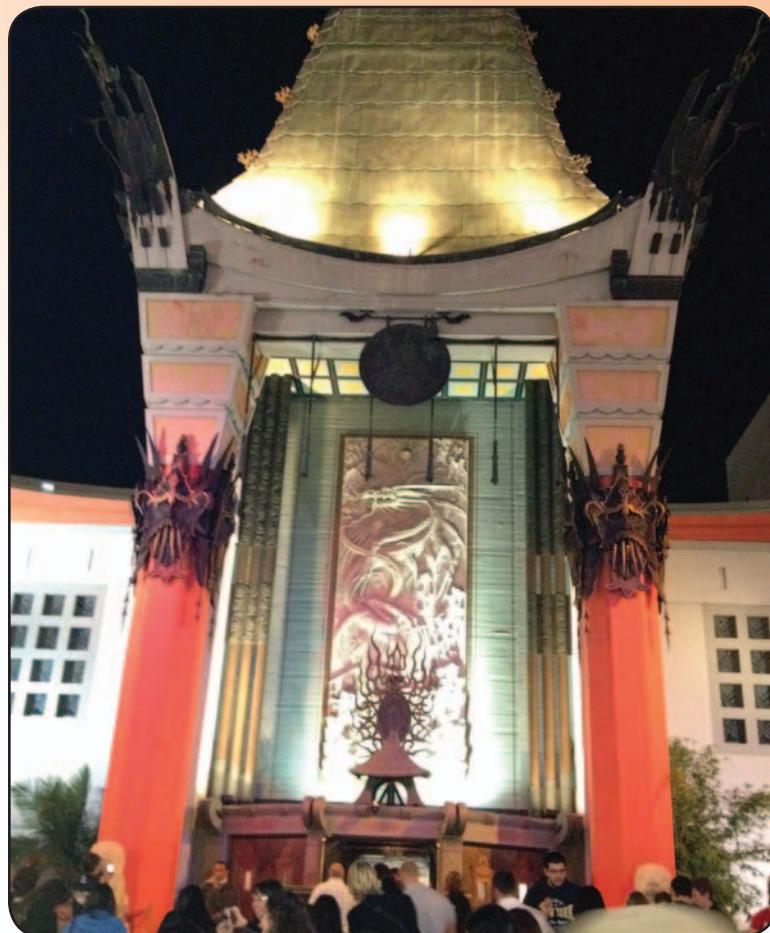
- Adding a discussion on the investment policy to the agenda for the coming year.
- Sending an electronic ballot of Council to authorize positions as signing authorities on bank accounts.
- Developing a risk management process.

Accreditation Committee

Erik Alm, Chairperson

The committee confirmed continued compliance with membership requirements of four member associations who had submitted revised documentation on the 2011 confirmation form. Several other associations have submitted documents for review and work is proceeding; this will be reported at the next meeting.

The committee considered new Associate Member applications from Namibia and Uganda and recommended that Council approve their admission.



Along with the Professionalism and Education Committees, the committee will be considering several changes for the 2012 confirmation form at its next meeting.

Advice and Assistance (A&A)

Tarmo Koll, Chairperson

The topics discussed include the review of the results of the Education Survey issued in the second half of 2011. The survey task force had written two reports: one for the A&A Committee and another for the Education Committee. These reports have identified several topics that will be reflected in the committee workplan for the

IAA



Special Newsletter

| International Actuarial Association | June 2012



next couple of years. The final document will be posted on the website when available.

The committee added other topics to its workplan, including preparation for the International Congress of Actuaries 2014 (ICA2014) and the creation of an ICA2014 Bursary Task Force consisting of representatives from the regional subcommittees and the IAA Fund. Preparation for the ICA2014 also includes organizing a reception for delegates from developing countries and identifying topics for the A&A sessions.

There was a healthy discussion on the discipline support for smaller and newer associations. A working document was discussed and is expected to be finalized in time for the next meeting.

[Africa Subcommittee \(of the A&A Committee\)](#)

Giovanna Ferrara, Chairperson

The Chairperson provided an update on the 2nd African Regional Actuarial Congress held in Nairobi, Kenya, in November 2011. The subcommittee is in the process of accepting proposals from countries interested in hosting the next regional congress.

[Asia Subcommittee \(of the A&A Committee\)](#)

Darryl Wagner, Chairperson

Participants were updated on the relationship management program, three successful meetings held in Malaysia, Mongolia and Hong Kong, and the mentorship program. Relationship managers have been identified for four out of the five countries in the region targeted for development. The possibility of mentorship is being considered with the involvement of the Actuaries Without Borders (AWB) Section. This is still at the conceptual stage; the subcommittee will work on developing a structured program.

[Latin America Subcommittee \(of the A&A Committee\)](#)

José Luis Lobera, Chairperson

Updates were provided on the Chilean initiative to become a Full Member Association, and on the Actuarial Congress in Colombia. The latter event was successful and the complete report of the congress is available on the IAA website. The subcommittee will support the Asociación Colombiana de Actuarios in its efforts to achieve Full Member status of the IAA. The subcommittee has started planning for a seminar to be

IAA



Special Newsletter

| International Actuarial Association | June 2012

held in conjunction with the ASTIN, AFIR/ERM, and IAALS Colloquia in Mexico City in October 2012. Other efforts include providing assistance to Peru, Uruguay, and Costa Rica.



The Education Committee leadership with special guest John Instance.

Education

Mary Frances Miller, Chairperson

The committee reviewed assessments of the revised education syllabi from the Actuaries Institute Australia and the Casualty Actuarial Society, and confirmed continued compliance with IAA education requirements. Several other associations had reported modifications on the 2011 confirmation form which will be reviewed by volunteers in the coming months and reported at the next meeting.

In addition, a review of the Full Member application from the Institute of Actuaries of Korea will be undertaken by two committee volunteers.

The committee also discussed a draft document on a professionalism course for experienced actuaries, which will be modified to reflect comments made at the meeting. A final document will be presented for approval at the next meeting.

Enterprise and Financial Risk

David Ingram, Chairperson

The committee is planning a study of enterprise risk management developments within IAA member associations. The first phase of the study will take place during July and August and the preliminary results will be presented to the Presidents' Forum at the meeting in Nassau. Once the study is complete, a final report will be made available to serve as a guide for member associations and IAA committees, including Council.

Executive Committee (EC)

Desmond Smith, Chairperson

The EC met twice in Los Angeles: on May 25 and on May 26. During these meetings, the EC:

- received reports from the Role of the Actuary Task Force, the Supranational Relations Subcommittee, the Strategic Planning Subcommittee, the Task Force on the Implementation of Strategic Objective 4; and from the meeting with Sections Delegates;
- reviewed revised terms of reference for Council and the EC to reflect the new due process which will be

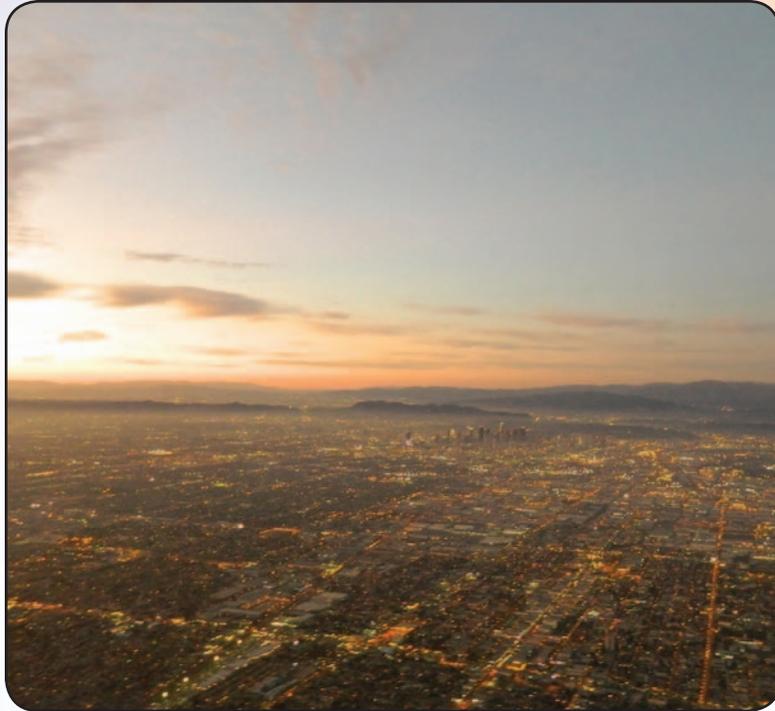


IAA



Special Newsletter

| International Actuarial Association | June 2012



and environmental challenges from an Australian perspective.

Dr. Aled Jones of the Global Sustainability Institute of Anglia Ruskin University presented the UK Actuarial Profession's research project on "Limits to Growth" and implications for actuaries.

Molly Jahn, PhD, from the University of Wisconsin, and John Richardson, FSA, presented on the activities of the Climate Change Committee, comprising the Casualty Actuarial Society (CAS), Society of Actuaries (SoA), Canadian Institute of Actuaries (CIA), and the American Academy of Actuaries (AAA), as well as the newly-formed SOA-based Working Group for the Actuarial Sciences and Sustainability. Molly Jahn, one of several non-actuaries on the working group, concluded the joint presentation by discussing issues related to sustainable agriculture and how important it is to integrate the actuarial skill set of risk management in developing solutions to these pervasive problems.

Finally, a panel discussion was held in which the participants posed many interesting questions. The feedback was very positive and it is clear that there is an increasing level of awareness, both inside and outside the profession, that actuaries can and should be key participants as the global community responds to existing and emerging risks related to natural resources and the environment.

Interim Actuarial Standards Subcommittee (IASSC) (of the EC)

Dave Pelletier, Chairperson

Topics discussed during the meeting of the IASSC include:

- Progress of the General Task Force, chaired by Godfrey Perrott, in dealing with the numerous

sent to Council for approval by electronic ballot;

- discussed a paper outlining the roles of EC liaisons and staff in support of committees;
- discussed the outcomes at the Council meeting and follow-up actions required;
- discussed IAA Council and Committee meeting venues beyond 2015; and
- received a report on finances from the Director of Finance.

Reports on these meetings have been sent to Council and posted to the website.

Environment Working Group (of the EC)

John Richardson, Co-Vice-Chairperson

A seminar entitled "The Environment: A New Frontier for Actuaries" was held on May 25. Fred Rowley (on behalf of co-authors Tony Coleman and Elayne Grace) presented on the topics of climate change, carbon,

IAA



Special Newsletter

| International Actuarial Association | June 2012

comments received on the Exposure Draft of ISAP 1 on General Actuarial Practice. The IASSC expects to receive, by early July, a revised standard for its review along with a detailed report on how comments have been dealt with.

- A preliminary draft of a proposed ISAP on Social Security Valuation, prepared by the task force chaired by Rob Brown. IASSC members were to provide further comments to the task force, leading to exposure later this year once the current phase of the development of ISAP 1 is complete.
- The comments received by the ERM Task Force, chaired by Dave Ingram, on its discussion draft of a Statement of Intent (SOI) to develop an ISAP on ERM, and the next steps. It was suggested that a discussion draft of the proposed standard itself would be useful to accompany a further SOI, to provide a better idea of the content of the eventual standard.
- Preliminary draft SOI on ISAPs dealing with IAS 19 and with matters dealing with financial statements prepared in accordance with IFRS common to multiple practice areas, prepared by task forces chaired by Irene Paterson. It was agreed not to proceed with



the “common IFRS standard”, but instead to ensure that there was appropriate consistency in the various IFRS-related ISAPs produced. The IAS 19 Task Force is aiming to have a revised discussion draft SOI for consideration by the IASSC by early July.

- The steps proposed by a working group of the Professionalism Committee to monitor the IASSC’s compliance with due process.



Supranational Relations Subcommittee (SRS) (of the EC)

Ken Buffin, Chairperson

The SRS meeting featured two presentations by invited organizations. The first presentation was made by the Inter-American Development Bank and described the challenge of expanding social security coverage in Latin America. The second was presented by Conférence Inter africaine de la Prévoyance Sociale and described the history, aims, statutory bodies, and principal functions of this social security organization of 14 francophone nations in Africa.

IAA



Special Newsletter

| International Actuarial Association | June 2012



The Insurance Accounting Committee leadership with special guest Julie Gann.

Insurance Accounting

Francis Ruygt, Chairperson

A lengthy discussion took place on the issues being considered by the IASB, concerning accounting for insurance contracts liabilities. Several items were identified that will be brought to the attention of the IASB for consideration at the upcoming meeting of its Insurance Working Group.

Subcommittee on Education and Practice (of the Insurance Accounting Committee)

David Finnis, William Hines, Co-chairpersons

The subcommittee discussed the progress being made on two monographs: 1) Issues Associated with Discount Rates, and 2) Risk Adjustments. Representatives of the author teams were in attendance and shared their views. With regard to the Discount Rates Monograph, the meeting was set up jointly with the Pension and Employee Benefits Committee. The following key items were discussed: illiquidity premiums; all practice areas served; definition of risk-free rate; inflation, and sovereign risk.

An ample discussion took place on the planning for future ISAP/IAN education material in anticipation of IFRS 4 revisions. The subcommittee set a reasonably lengthy series of tasks (19) for the preparation of potential IANs in support of the next steps in the development of IFRS 4 in particular. The goal is to develop issues papers, which would include, notably, identification of the issue, some background, discussion of specific considerations/issues, identification of alternative approaches and, if possible, a chosen approach and rationale. Although a number of volunteers have already been identified, the subcommittee is in the process of extending the list of volunteers to include potential working groups in local actuarial associations.

Insurance Regulation (IRC)

Toshihiro Kawano, Chairperson

The draft paper on Actuarial Viewpoints and Roles in Systemic Risk Regulation in Insurance Markets, which included significant revisions to reflect the committee discussion in Zagreb, was discussed. The draft needs to be shortened to focus on the main points. The revised version is expected by the end of July 2012, at

IAA



Special Newsletter

| International Actuarial Association | June 2012

which time it will be circulated to committee members for their final review.

The committee also discussed the actuarial function and opinion contained in the International Association of Insurance Supervisors' (IAIS) ComFrame, in particular topics relating to the Financial Stability Committee, the Macprudential Policy and Surveillance Working Group, and the U.S. Solvency Modernization Initiative.

ComFrame Task Force (of the IRC)

Dave Sandberg, Chairperson

The task force discussed the broader perspective of enterprise risk management, which is useful to ComFrame. It was stated that the Pillar II approach, especially Own Risk and Solvency Assessment (ORSA), can add value to group supervision. The necessity to focus on intra-group transaction was also discussed.

The next steps will be to draft brief high-level notes summarizing the discussions to be sent to the IAIS in June, and to make formal comments on the upcoming consultation on the draft ComFrame by the end of August 2012.

Solvency Subcommittee (of the IRC)

Henk van Broekhoven, Chairperson

The subcommittee discussed the latest version of the paper Stress Testing and Scenario Analysis. It was agreed that the paper needs to be shortened to enhance readability. The subcommittee is working towards having a final paper by the time of the IAA meetings in Nassau.

New solvency research was discussed, including the additional chapters for the publication A Global Framework for Insurer Solvency Assessment (Blue



| International Actuarial Association | June 2012

Book). The next steps will be the prioritization of topics and recruitment of volunteer drafters.

Another subject addressed by the subcommittee was financial repression and documentation requirement for internal models.

Reports were received from various regions of the world on their solvency systems.

Reinsurance Subcommittee (of the IRC)

Michael Eves, Chairperson

The draft paper on Actuarial Viewpoints on Roles in Systemic Risk Regulation in Insurance Markets was discussed from the reinsurance perspective and approved by the subcommittee.

An update was provided on the IASB Insurance Contracts project relating to reinsurance. Two initiatives were discussed:

- Develop short notes on intra-group transaction including reinsurance to contribute to the discussion on the IAIS ComFrame; and
- Draft a short paper on a standardized approach for non-proportional reinsurance which can be used as an additional chapter for the Blue Book. CRO Forum and Solvency II updates were also provided.

Own Risk and Solvency Assessment (ORSA) Working Group (of the IRC)

Henk van Broekhoven, Lars Pralle, Co-chairpersons

The ORSA Working Group, which is a joint working group established under the Insurance Regulation and Enterprise and Financial Risk Committees, exchanged information on current ORSA developments in the United States NAIC, Europe Solvency II and other jurisdictions. ORSA guidance notes published by Lloyd's were also



discussed. The working group decided to develop an educational guidance paper for actuaries on ORSA, the contents of which need to be further discussed. A comparison of ORSA standards in the United States, European Union, and other areas will be included.

Henk van Broekhoven resigned from his position at the end of the meeting and has since been replaced by Maryellen Coggins.

Mortality Working Group (MWG)

Martin Stevenson, Chairperson

During its meeting, the MWG:

- Revised its terms of reference and developed a new operational plan;
- Considered 20 country reports;
- Received an update on the Society of Actuaries' (SOA) Table Manager;
- Approved the public launch of its information database—a facility whereby actuaries and other interested persons can access information about mortality on the IAA's website;
- Approved the launch of a survey on underwriting; and

IAA



Special Newsletter

| International Actuarial Association | June 2012

- Monitored the effects of the European Union's directive to ban insurance products that differentiate by sex.

Several members of the MWG attended a seminar entitled "A World of Mortality Issues and Insights" held by the SOA concurrently with the IAA meetings. Presentations were made as follows:

- Martin Stevenson: [An Overview of the MWG](#);
- Dieter Gaubatz: [Update on Underwriting Criteria Scoring Algorithm](#);
- Brian Ridsdale: [Enhanced and Substandard Annuities and Mortality by Geographic Location & Socio-demographic Classification](#);
- Ermanno Pitacco: [Mortality of Disabled Lives](#);
- Mika Mäkinen: [Pandemics](#);
- Al Klein: [Mortality Improvement](#);
- Bridget Browne: [Healthy Longevity](#); and
- Henk van Broekhoven: [Mortality Uncertainty](#).



The Professionalism Committee leadership with special guest John Instance.

Professionalism Committee (PC)

Peter Doyle, Chairperson

The PC had a full agenda which benefited from good discussion among the 20 members in attendance. In

addition, the meeting was attended by 19 observers including three guests:

- John Instance (UK Board for Actuarial Standards);
- Dave Pelletier (IASSC); and
- Fred Rowley (member of the PC and EC liaison).

The most important topic of discussion was the development of international actuarial standards of practice within the IAA and the implications for the work of the PC. The discussion included the activities and views of both the EC and the IASSC, and the draft of the Strategic Action Plan for Standards presented to Council by the EC.

A task force of the PC presented, for discussion, a draft checklist for use by the committee to discharge its responsibilities under the due process for developing standards. The checklist is long, but it was agreed that it correctly represented the due process and provided a very useful guide to the steps and documentation required during the process of developing standards.

Other items included:

- Discussion of a draft revision of the terms of reference of the PC, in the light of the changes taking place around standards;
- Suggestions put forward on how the committee could support FMAs on professional matters via a better exchange of information and better use of the IAA website;
- Answers to questions received from FMAs on disciplinary matters and suggestions on how to improve the questions in future;
- Agreement to a group taking forward the subject of governance of international actuarial work, building on work previously undertaken; and
- Discussion of several other possible areas for future

IAA



Special Newsletter



work of the PC, including the matter of business ethics.

Social Security Committee (SSC)

Junichi Sakamoto, Chairperson

The meeting was a successful one, during which three main areas of subjects were discussed.

International Standard of Actuarial Practice on Social Security (ISAP 1)

The draft paper has been finalized and the next step is for the ISAP 1 to be published.

Position paper of the SSC on stochastic modeling

This paper is near completion, but more discussion is necessary; the committee has set a deadline of August 31 for further comments.

Other topics for position papers

Three candidates were identified to undertake this work. Further discussion on these papers will take place at the next meeting in November in Nassau.

International co-operation on social security actuarial matters

Co-operation was requested from various international organizations such as the International Social Security

Association, International Labour Organization, Inter-American Development Bank and the Conférence Interafricaine de la Prévoyance Sociale. It was confirmed that these activities were in line with the IAA outreach activities and the committee would move forward in close contact with the Supranational Relations Subcommittee.

Actuaries Without Borders (AWB)

Shirazali Jetha, Chairman

The AWB Section Committee conducted its Annual General Meeting (AGM) on May 23. Three existing Committee members were re-elected: Mark Macharia, Guillaume Moussa, and Ajmal Bhatti, and two new members, Mayur Ankolekar and Renata De Leers, were elected. In addition to dealing with the standard AGM business items, a lively and productive discussion took place on the projects that AWB has recently undertaken and those it is considering.

International Association of Consulting Actuaries (IACA)

The newly elected IACA Committee met in person on May 24, 2012 in Los Angeles—16 out of 17 committee members attended the meeting either in person or by telephone.

The topics discussed included:

IAA



Special Newsletter

| International Actuarial Association | June 2012

- A recap on the recent successful joint colloquium that had been held in Hong Kong earlier in the month;
- The development of the IACA track at the 2014 Congress Programme;
- Early ideas around the IACA biennial meeting in 2016; and
- Agreement on IACA's objectives for the next two years.

Presidents' Forum

The Presidents' Forum held on May 24 was attended by the Presidents (or a senior member of the current leadership) of 42 Full and Associate Member associations. The meeting featured two guest speakers: Howard Kunreuther who presented on A Framework for Risk Management of Extreme Events: Evidence from Firms, and Dr. James Moore of PIMCO who spoke on Risk Management in the Face of Unprecedented Capital Markets Uncertainty. These presentations were followed by a lively presentation and discussion on the Actuary 3.0.

U.S. Organizations Host IAA Delegates

The evening of May 25 was a more relaxed one as IAA Delegates and their accompanying persons enjoyed a dinner at the famed Hollywood Museum. To



IAA President Desmond Smith, left, presents the plaque to SOA President Brad Smith.

commemorate the IAA's presence in the United States, IAA President, Desmond Smith, remitted a marble plaque to SOA President Brad Smith.

A sincere thank you to our hosts in Los Angeles: American Academy of Actuaries, American Society of Pension Professionals & Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, Society of Actuaries

Next Meetings

The [next meetings](#) of the IAA Council and Committees will take place at the Sheraton Nassau in the Bahamas from November 15 to 18, 2012, in conjunction with the annual conference of our hosts, the Caribbean Actuarial Association, a Full Member since 2008 (first admitted as an Associate Member in 1998). The meeting program will be announced in the coming weeks.

