

IAA Newsletter



| International Actuarial Association | May 2012

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ANNUAL REPORT 2011

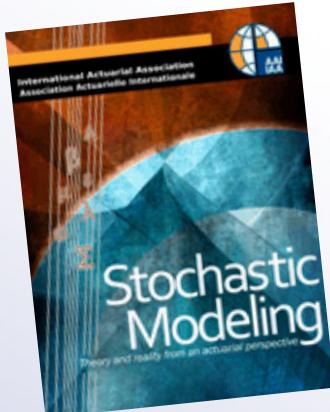
The IAA Annual Report for the year 2011 has just been released and is available online.

Click on this image to read it.



STOCHASTIC MODELING REPRINT

A reprint of the Stochastic Modeling book will be available for online ordering as of May 22. Visit [our website](#) after that date to order your copy.



IAA COUNCIL AND COMMITTEES TO MEET IN LOS ANGELES, USA: MAY 22-26, 2012

The IAA Council and Committees are all set to meet at the JW Marriott Los Angeles at LA Live starting on May 22.

To date, over 225 delegates from all regions of the world have registered to attend in Los Angeles (pictured below).

These meetings, which are being hosted by our five Full Member associations in the United States (American Academy of Actuaries, American Society of Pension Professionals & Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, Society of Actuaries) will follow the Society of Actuaries' Life and Annuity Symposium on May 21–22 in the same venue.

Full details of these meetings are available [online](#).



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PRINCIPLES OF PROFESSIONALISM

The IAA has taken another important step towards promoting the quality of actuarial practice globally by unanimously adopting a set of [Principles of Professionalism](#).

These principles, developed by the Professionalism Committee in support of the IAA's Strategic Objective 3, will provide guidance to many aspects of the work of the IAA, including education, codes of professional conduct, and the development of standards of actuarial practice; they may also be used by Full Member associations to provide professional guidance to actuaries in their own jurisdictions.

Council discussed the principles at its meeting in October 2011 and unanimously approved the final version by electronic vote on January 23.

EXPERT PANEL ON ISLAMIC FINANCE (EPIF)

The IAA has created an Expert Panel on Islamic Finance (EPIF) under the leadership of Chairperson Yves Guérard (pictured). Membership of the EPIF is open to all individuals with the relevant expertise and interest.



In carrying out its mandate, the EPIF will monitor major developments of interest to the actuarial profession and to actuaries practising in areas related to Islamic finance, and inform interested parties via the IAA [website](#).

The EPIF has examined a number of issues and provided advice on the harmonization of International Financial Reporting Standards (IFRS) with the underlying principles of Islamic finance and actuarial principles. The panel has recently been looking into the

challenge of extending risk-based capital requirements to Shariah-compliant products.

To learn more about the work of the IAA on this topic, contact the Chairperson of the Expert Panel on Islamic Finance, care of the [IAA Secretariat](#).

PRIVATE SECTOR TASKFORCE OF REGULATED PROFESSIONS AND INDUSTRIES MAKES RECOMMENDATIONS TO THE G-20

The Private Sector Taskforce (PSTF), of which the IAA is a member, submitted an update to its report *Regulatory Convergence in Financial Professions and Industries* (2011 Report) issued to the G-20 Deputies in September 2011.

The PSTF strongly encourages the G-20 to implement all of the 15 recommendations presented in its 2011 Report, with emphasis on its first two recommendations:

- Continue to focus on regulatory convergence in the financial sector, ensuring that G-20 nations work together to identify and narrow gaps in regulatory practice; and
- Discourage nations from implementing unilateral national regulatory reforms that are inconsistent with international standards and that widen—rather than narrow—the convergence gap.

In support of these recommendations, the update provides a discussion of matters that have arisen since the 2011 Report was issued and examples where international regulatory arrangements have become more fragmented. The update also includes additional recommendations regarding public sector financial management and reporting, transparency, and accountability.

The PSTF was established in 2011 at the request of the Presidency of the G-20. In addition to the IAA, it



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includes the International Federation of Accountants (which acts as coordinator), CFA Institute (CFA I); INSOL International; Institute of International Finance (IIF); International Accounting Standards Board (IASB); International Corporate Governance Network (ICGN); International Insurance Society (IIS); and International Valuation Standards Council (IVSC).

MEMORANDUM OF UNDERSTANDING WITH THE IASB

The IAA has signed a formal Memorandum of Understanding (MoU) with the International Accounting Standards Board (IASB) that sets out the terms of an agreement for cooperation between the parties to benefit from common areas of activity in their respective strategies and operations.

This MoU represents a continuation of outreach activities arising from the key objectives of the IAA Strategic Plan that include establishing, maintaining and extending cooperative relationships with major supranational organizations, with a particular emphasis on those areas where actuarial input is a significant factor influencing decisions on important social and economic issues with a global impact.

OUTREACH ACTIVITIES

14th Global Conference of Actuaries – February 20–21, 2012 – Mumbai, India

President Desmond Smith officially represented the IAA at the 14th Global Conference of Actuaries in Mumbai (pictured) where he delivered the [opening address](#), in addition to fulfilling other formal duties.



CERA: German training and accreditation system approved

On April 5, 2012, the CERA Treaty Board officially approved the DAV (German actuarial association) proposal for a national implementation of the CERA credential in enterprise risk management. The DAV is now able to award the CERA title Certified Enterprise Risk Actuary to its members after they have passed the corresponding DAV training and examination system. The DAV expects the first 35 graduates to finish their CERA education in May 2012.

COMMITTEE AND SECTION NEWS

Insurance Accounting Committee – Education and Practice (E&P) Subcommittee

Co-chairpersons: David Finnis, William Hines

The IAA has engaged Deloitte Consulting LLP (Deloitte) to draft an educational monograph on risk margins to assist actuaries worldwide in their use of risk margins for a range of purposes, although with specific focus on the likely needs of International Financial Reporting Standards (and IFRS 4 on Insurance Contracts in particular).

In 2009, in response to a request from the Solvency and Actuarial Issues and Insurance Contracts Subcommittees of the International Association of Insurance Supervisors (IAIS), the IAA Risk Margins Working Group produced a research paper entitled *Measurement of Liabilities for Insurance Contracts: Current Estimates and Risk Margins*.

Whilst this paper explored the range of actuarial solutions to the calculation of risk margins, it rather left hanging the question “How are risk margins calculated in practice?” The monograph has the prime aim of answering this question.

Deloitte was engaged following a competitive tender



process in September 2011. The E&P Subcommittee has established an ad hoc Project Oversight Group (APOG) to monitor progress on the monograph.

Deloitte is well advanced in the drafting of an initial set of sections for the monograph and has already received the benefit of feedback from the APOG. The current plan is for the monograph to be finalized by the end of 2013, although there remains some flexibility in the planning due to the continuing questions regarding the final deadline and eventual make-up of IFRS 4. It is expected that Deloitte will make a short presentation on progress to date at the Los Angeles committee meetings later this month.

Once completed, the monograph will represent the third in a series of “practical usage” educational monographs, following those on the use of stochastic models (published in May 2010) and discount rates (due later this year).

Insurance Regulation (IRC)

Toshihiro Kawano, Chairperson

The Chairperson and members of the IRC have represented the IAA at the following events:

- IAIS Solvency and Actuarial Issues Subcommittee on January 30–31, 2012 in Basel, where Philipp Keller, Co-vice-chairperson of the Solvency Subcommittee, made presentations on *The SST and Quantitative Group Requirements and Conglomerates and Major Groups - Supervisory Challenges*.
- IAIS Reinsurance Subcommittee on February 1, 2012, in Basel.
- IAIS Observer Hearing and ComFrame dialogue on February 23, 2012 in Basel; Toshihiro and Dave Sandberg, Chairperson of the ComFrame Task Force, made introductory remarks.

The IAA submitted comments, prepared by the IRC, to the Joint Forum on the Consultative Report on Principles

for the Supervision of Financial Conglomerates on March 16, 2012.

Microinsurance Working Group (MIWG)

Howard Bolnick, Chairperson

The MIWG is participating in a multi-year project to develop an actuarial toolkit demonstrating how microinsurance calculations are done using sound actuarial principles. Toolkit modules are designed as training tools aimed mainly at technicians who are called upon to design, price and set reserves for products for microinsurance organizations and, secondarily, for microinsurance program managers who need to understand actuarial calculations.

The project, which is being led by the Microinsurance Working Party of the UK Actuarial Profession with support from the MIWG, was organized in response to feedback from the microinsurance community that there is a strong need for a better understanding of how actuaries design, price and reserve for microinsurance products and to monitor evolving experience to maintain program profitability. Preliminary ideas presented in sessions at the International Microinsurance Conference in Rio de Janeiro in November 2011 received very helpful and supportive feedback.

Responding to this feedback, the first two toolkit modules will explore pricing micro-credit life insurance and micro-agricultural insurance. A third module, in the early stages of development, will cover micro-health insurance.

The initial toolkit modules are worksheets with practical step-by-step interactive examples of the pricing process, which will be described in accompanying explanatory text. After successful completion of these initial modules, the working party plans to develop other modules covering equally important topics such as reserving, experience monitoring, and financial analysis.



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The MIWG and UK Working Party members will attend the Microinsurance Network meeting in Frankfurt in June to discuss progress on the project. The intention is to present completed pricing modules to the microinsurance community at the 8th International Microinsurance Conference in Dar Es Salaam, Tanzania, in November 2012.

The UK Actuarial Profession project leader is [Dermot Grenham](#). IAA and MIN support is being coordinated by [Howard Bolnick](#), Chairperson of the MIWG and facilitator for the MIN Actuarial Working Group. The project is also being coordinated with training materials on actuarial pricing currently under development by the ILO Microinsurance Innovation Facility.

ASTIN Section

Hans-Peter Boller, Chairman

Actuarial profession mourns first Chairperson of ASTIN

On January 5, 2012, Paul Johansen, the first Chairperson of ASTIN, passed away having reached nearly 102 years of age. Paul (pictured) was a very influential actuary, whose achievements have been honored by actuarial organizations in many countries.



ASTIN ultimately arose as a section of the Comité Permanent (now the IAA). Paul served on the ASTIN committee for 23 years in total, first as Chairperson and later as member and delegate of the Comité Permanent. For more details on his varied career, please click [here](#).

AWB Section

Shiraz Jetha, Chairman

Since the start of the year, AWB volunteers have been

busy conducting an educational session for regulators in Albania and participating in a non-life insurance seminar organized by the Nepalese insurance regulator in Katmandu, including separate meetings with the regulator.

In addition, two volunteering opportunities were announced for a two- to three-day ERM educational seminar sponsored by [Asociatia Romana de Actuariat](#) (Romania), and for a mentoring project sponsored by The Actuarial Society of Kenya (along with the involvement of the local insurer community) to promote the value of work of actuaries in an insurer organization. This latter project is presently on hold pending further discussions. AWB is grateful for the immense response to these announcements.

Other projects being developed include:

- A teaching program in health insurance for Georgia;
- Assisting the Actuarial Society of Tanzania with educational resources at a local university; similarly assisting a university in Zambia; and
- Developing a book donation program with the Actuarial Bookstore to assist IAA member organizations in need of such resources.

As the planning process continues, AWB will be seeking volunteers and looks forward to continued support from its members.

New members are always welcome! If this type of work interests you, you can join online by going to the AWB website and clicking on the [Join AWB Now](#) button.

IAA member associations and other organizations interested in learning how AWB can be of assistance to them, or wishing to request an AWB project, are encouraged to contact AWB using the [Request an AWB Project](#) button on the same site. AWB would love to hear from you.

AWB has had several inquiries about the lack of



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actuarial educational material abroad due in large part to associated costs. Committee member [Peter Murdza](#) has been working towards facilitating a textbook donation program for interested universities and actuarial organizations. Please contact him directly for more information.

ASTIN-AFIR/ERM-IAALS Colloquia

The Mexican actuarial associations are honoured to have been selected to organize the ASTIN, AFIR/ERM, and IAALS Colloquia in Mexico City from October 1–4, 2012. You are invited to join them for these joint colloquia which will also celebrate the 50th anniversary of the Asociación Mexicana de Actuarios (Mexican Association of Actuaries) and the 30th anniversary of the Asociación Mexicana de Actuarios Consultores (Mexican Association of Consulting Actuaries). In addition, they will commemorate the 10 years since the International Congress of Actuaries in Cancún, Mexico.

The colloquia, which will also include social activities, will offer a variety of registration options for delegates and their accompanying persons. This event represents an important contribution to the personal and continuing professional development needs of participants. The [early-bird registration](#) period is open until July 31, 2012. The event will also feature keynote speakers with international experience, including:

- Bradley Smith, President of the Society of Actuaries and Chairperson of Milliman;
- Michel Liès, Chief Executive Officer, Swiss Re;
- Patricia Guinn, Managing Director Risk & Financial Services, Towers Watson; and
- Paul Embrechts, Professor of the Department of Mathematics, ETH Zurich.



The most important activity will be the paper presentations covering topics of general insurance, financial risk and life. You are invited to submit a paper; abstracts will be accepted until July 31, 2012.

These sessions are a great opportunity to exchange ideas, points of view, and opinions which can be of great value to the betterment of the profession, including continuing professional development.

Visit the [colloquia website](#) for more details.

IAAHS/IACA/PBSS Joint Colloquium

A joint colloquium of three IAA Sections, namely the International Association of Consulting Actuaries (IACA), Pension Benefits and Social Security (PBSS) and Health Section (IAAHS), was held in Hong Kong on May 6–9, 2012. The colloquium was hosted by the Actuarial Society of Hong Kong (ASHK). Participation by IACA included the Asia Pacific Association of Consulting Actuaries (APACA). It was attended by 283 delegates from 34 countries, including 140 from Hong Kong.

The theme was The Actuarial Profession and Social and Economic Development, and the opening ceremony featured welcoming remarks from ASHK President Peter Duran and IAA President Desmond Smith. Invited keynote speakers included Hong Kong Commissioner of Insurance Annie Choi, former Chairman of the Hong Kong Securities and Futures Commission Anthony Neoh, Executive Director of the Hong Kong Mandatory Provident Fund Schemes Authority Cynthia Hui, and World Bank Senior Social Protection Specialist Mitchell Wiener. The programme featured a diverse range of topical presentations and papers by subject-matter experts in life, health, pensions, social security, general insurance, and enterprise risk management. Video recordings of the keynote speakers and several other presentations will be made available on the IAA website.



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NEWS FROM MEMBER ASSOCIATIONS

Actuarial Society of Turkey (TAC)

The General Assembly meeting of the TAC elected a new Board of Directors on March 18, 2012, in Istanbul, Turkey. The society's newly elected Board Members are:

- Orhun Emre Çelik (Chairperson)
- Taylan Matkap (Secretary General)
- Alper Ünlenen (Vice-chairperson)
- Şirzat Çetinkaya (Budget Officer)
- H. Kerem Özdağ (Corporate Communications)

Casualty Actuarial Society (CAS)

Casualty Loss Reserve Seminar to be held in Denver, Colorado

The 2012 Casualty Loss Reserve Seminar (CLRS) will be held in Denver, Colorado, on September 6–7, 2012. The seminar provides an opportunity to present and discuss significant loss reserving issues and related financial reporting implications. The CAS, the American Academy of Actuaries, and the Conference of Consulting Actuaries are sponsors of this event. More information can be found at www.casact.org/clrs.

For additional CAS news, please visit the CAS website at www.casact.org.

Conference of Consulting Actuaries

Consulting Actuaries to Focus on Global Issues in South Florida

As an international practitioner, you owe it to yourself to attend the Conference of Consulting Actuaries' (CCA) 2012 Annual Meeting in Boca Raton, Florida, USA (pictured above right).



It features a full track of sessions with a global focus, including timely sessions on the turmoil in the EU, issues impacting private and state pensions, global mobility, and retirement plans. The CCA is also focusing on de-risking strategies specific to the Canadian and British pension environments as well as European and Japanese consulting actuarial pension issues and emerging markets.

The keynote speaker, Dr. Jay Olshansky, will address three areas on the cutting edge of mortality research. Firstly, APC (age-period-cohort), a new mortality forecasting methodology which focuses on exploring the relationship between the health status of living younger cohorts and their prospects for survival, an approach producing more accurate results than linear extrapolation.

Secondly, he will address the longevity of population subgroups and disparities in longevity in the U.S. and the evidence to suggest that two Americas have formed—one group that has already begun to experience declining life expectancy or is about to, and another that is about to benefit from advances in biomedical technology that will extend life more rapidly than is currently forecast by middle-range assumptions of the United States Social Security Administration.

And finally, he will explore the longevity dividend, describing efforts underway to slow the biological rate



of aging and the difficult work being done to advance this research into results that will extend healthy life and the myriad public policy implications this work will have in terms of impact on health, wealth, and quality of life. Dr. Olshansky is a member of the Council on an Ageing Society at the World Economic Forum, and has presented at the 2005 UNESCO Conference on Health and Longevity in Paris, the 2007 United Nations Conference on Health and Ageing, the 2007 World Ageing and Generations Conference in Switzerland, and the 2007 Global Financial Services CEO Roundtable in Italy.

The CCA's 2012 annual meeting, described as the "Premier Meeting for Consulting Actuaries in the United States," will be held October 21–24 at the fabled Boca Raton Resort and Club, a Waldorf Astoria resort in sunny South Florida, just 50 miles from the great international destination of Miami or 20 miles from Ft. Lauderdale.

Deutsche Aktuarvereinigung (DAV)

Annual Meeting 2012 in Stuttgart

The annual meeting of the DAV and its scientifically-orientated partner organisation DGVFM took place April 25–27, in Stuttgart. The event started with the meetings of the German Pension, Health and AFIR Sections. The General Assembly of the DAV was opened with a plenary discussion on university education for future actuaries and the latest developments in the so-called Bologna process, before the LIFE and ASTIN Sections met in the afternoon. The annual meeting was concluded with the 11th Scientific Day of DGVFM, which aims at linking applied research with the actuarial practice in the insurance and finance industry.

The DAV and DGVFM welcomed in excess of 1,000 guests and members to the conference in Stuttgart, among them IAA President-elect Prof. Dr. Kurt Wolfsdorf.

European Actuarial Journal (EAJ) Conference

The first international *EAJ* conference in actuarial science will take place September 6–7, 2012, at the University of Lausanne, Switzerland. The aim of the event is to bring together practising actuaries and academics to discuss challenging and current topics in actuarial science:

- Life and Pension Insurance Mathematics;
- Non-Life Insurance Mathematics;
- Risk Management and Solvency II;
- Financial Mathematics with Applications in Insurance; and
- Economics of Insurance.

More information is available [here](#).

European Actuarial Academy (EAA)

EAA Series – new title Stochastic Models in Life Insurance

The EAA series, supported by the EAA GmbH, informs on actuarial topics in a broad and interdisciplinary sense, aimed at students, academics, and practitioners in the fields of insurance and finance.

The sixth title of the EAA Series, *Stochastic Models in Life Insurance*, by Michael Koller (219 pages), is now available.

The book provides a sound mathematical base for life insurance mathematics and applies the underlying concepts to concrete examples. Moreover, the models presented make it possible to model life insurance policies by means of Markov chains. Two chapters covering ALM and abstract valuation concepts on the background of Solvency II complete this volume. Numerous examples and a parallel treatment of discrete and continuous approaches help the reader to implement the theory directly



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in practice. The textbook can be purchased at www.springer.com (approx. 54 €, subject to national VAT and delivery costs).

Society of Actuaries

[Apps for Actuaries](#) was created by actuaries for actuaries, and is designed to be a one-stop shop for you to find and recommend relevant applications for any mobile device.

Apps are listed on the site based upon their relevance to working actuaries and actuarial students.

We encourage you to visit often, contribute to the guide, and help shape the content by submitting recommendations and rating/liking the apps.

Upcoming Events

Equity-Based Insurance Guarantees Conference

Registration is now open for this world-class event on June 18, 2012, being offered with the gracious support of the Institute of Actuaries of Japan (IAJ).

This conference includes live English-to-Japanese interpretation of presentations, to ensure there is more participation from Japanese market practitioners.

“Ask the Expert” sessions held at the end of the day will provide a greater learning forum, and an opportunity for both the buy side (practitioners from insurance companies) and the sell side (investment bankers, consultants, reinsurers) to share their experiences. It is exclusively focused on issues relating to the Japanese market. Previous Equity-Based Insurance Guarantees Conferences in Asia have been extremely successful, so please register early.

This program is of real value to risk managers, risk officers, corporate actuaries, appointed actuaries, investment actuaries, product development actuaries, software vendors, consultants, investment bankers, derivatives professionals, analysts, and regulators.

For more details and to register, please click [here](#). See if the [early-bird discount](#) applies to you when you sign up by May 21!

SOA Seeks International Participating Organizations for 2014 Living to 100 Symposium

The Society of Actuaries’ Committee on Living to 100 Research Symposia is recruiting participating organizations throughout the world to help promote its [fifth Living to 100 Symposium](#) in Orlando, Florida, USA, in January 2014. If your organization is interested in supporting this research effort, please send an e-mail to jschuh@soa.org for more details.

ANNOUNCEMENTS

International Association of Insurance Supervisors

Lutz Oehlenberg, of BaFin, Germany, and Co-vice-chairperson of the IAA IRC (pictured), has been appointed as Vice-chairperson of the Reinsurance and Other Forms of Risk Transfer Subcommittee of the IAIS.



SECRETARIAT NEWS

We are pleased to welcome Amali Seneviratne and Norah Neill to the IAA Secretariat as Project Manager of Membership and Development and Administrative Assistant, respectively. Amali started on April 2 and replaces Verónica Sánchez who left on maternity leave on May 1, 2012. Katy Martin, Project Manager, Technical Projects, is leaving the Secretariat on May 17, 2012. We wish Verónica all the best at this exciting time and we wish Katy every success in any future projects she undertakes!