

IAA



Special Newsletter

| International Actuarial Association | May 2011

Sydney

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This Special Newsletter reports on the discussions and action items arising from the recent IAA Council and Committee meetings held in Sydney, Australia from April 6–10, 2011. These meetings were attended by 200 delegates who participated in 48 different meetings filling 75 time slots over a period of 4.5 days.

President's Report

The President welcomed our special guests who had participated in these meetings:

- Greg Brunner, International Organization of Pension Supervisors (IOPS)
- Arup Chatterjee, Asian Development Bank (ADB)
- Chris Daykin, Groupe Consultatif Actuariel Européen
- John Maroney, International Association of Insurance Supervisors (IAIS).

The President's report focused on the following points:

- Reissue of the modified version of the Education Goals Survey by the Committee on Advice and Assistance Task Force;
- Participation in the 13th Global Conference of Actuaries in Mumbai in February;
- Presentation to the observer hearing of the IAIS Technical Committee in February;
- Presentation to the 1st Climate Change Summit for Asia's Insurance Industry in Singapore in January;
- Meetings with the World Bank, Inter-American Development Bank, International Monetary Fund, African Development Bank, Asian Development Bank and the International Social Security Association.

Secretary General's Report

The Secretary General's report addressed the following points:

- The acceptance of the China Association of Actuaries as a new Full Member;
- Resources of the Secretariat;
- Introduction of a policy on the use of the IAA logo;
- Visitors to the IAA website;
- Sales of publications;
- Draft audited financial statements for 2010; and
- Insurance program review.

Council

Greg Brunner, General Manager, Australian Prudential Regulation Authority, presented to Council on the operations of IOPS. Following his presentation, President Bykerk signed the Memorandum of Understanding with IOPS that had been signed on April 6 by André Laboul, on behalf of IOPS.

Presidents' Forum

The Presidents' Forum held on April 8 was attended by the Presidents (or a senior member of the current leadership) of 27 Full and Associate Member associations. The agenda included the following presentations.

- the strategy of the Institute of Actuaries of Australia;
- the development of the profession in China;
- the strategy of the Institut des Actuaire (France);
- the Role of the Actuary in Microinsurance;
- the IAA Guidelines on Continuing Professional Development (CPD), and
- Climate Change and Environment Issues.

All of the presentations have been linked to the agenda and are available on our website in the Presidents Forum section. The Presidents will meet again in Zagreb, Croatia in late September, early October 2011.

Outgoing Chairpersons Recognized

Council recognized the valuable contribution of Estella Chiu who had chaired the China Subcommittee of the Advice and Assistance Committee from 2006 to 2011. I thought we gave plaque to and Gary Hibbard for his service on who had chaired the Accounting Standards Subcommittee of the Pensions and Employee Benefits Committee from 2007 to 2010. .

New Members of the IAA



The China Association of Actuaries was admitted as the 63rd Full Member association of the IAA. The IAA currently has 26 Associate Member associations.

Mr. Wei—President of the China Association of Actuaries



The Work of Committees and Sections

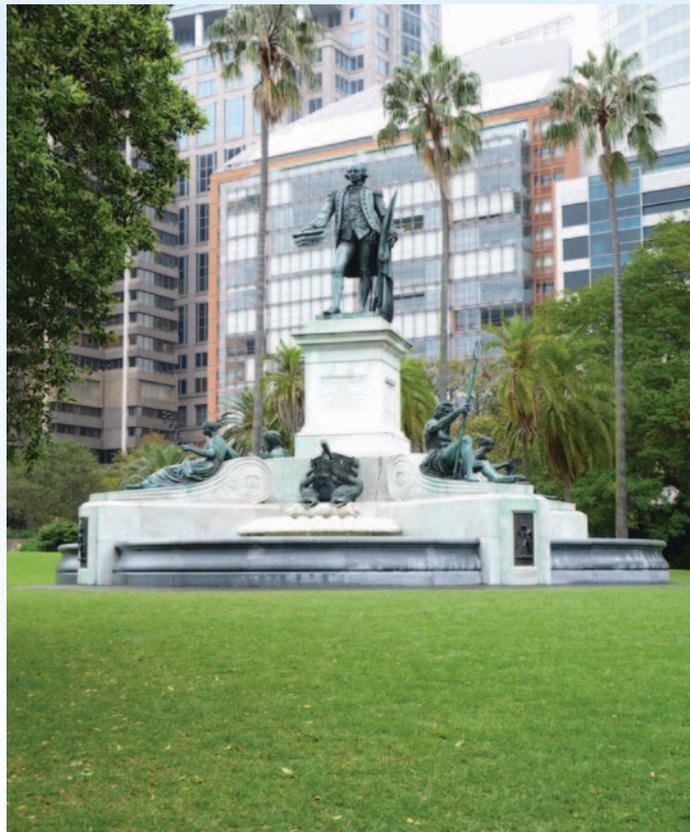
Below are the highlights of committee and section discussions in Sydney. More details are available in the minutes of the various committee meetings that are posted to the website as they become available.

Audit and Finance

Mike McLaughlin, Chairperson

The Audit and Finance Committee considered the following issues:

- Secretariat support to the Committee and accounting support within the Secretariat;
- Draft audited financial statements at December 31, 2010;



- Transfer of ASTIN investments;
- Review of the 2012 pro forma budget and proposal for dues increase;
- Marketing of stochastic modeling book and others as a source of revenue;
- Administrative charges to Sections for Secretariat support;
- Canadian accounting changes;
- IAA business risk exposure; and
- External auditor review.

Accreditation

Chris Lewis, Chairperson

Issues addressed include:

- Report from the ad hoc Self-Assessment Working Group (SAWG) on its progress in reviewing the completed self-assessment questionnaires from Full Member associations to determine whether or not their documentation meets IAA membership requirements;
- Discussion on the updated code of conduct of a full member association;
- Review, but not finalization, of two applications for full membership;
- Discussion on a paper regarding the common understanding of professionalism;
- Discussion on non-compliant member associations;
- Review of potential new Full Member associations; and
- Update on completed Annual Confirmation Forms and outstanding dues.

Advice & Assistance

Tarmo Koll, Chairperson

Issues addressed include:

- Discussion of the committee's workplan and updated terms of reference;
- Updates from the subcommittees;
- Discussion on African matters – the French, Portuguese and Spanish organizations are all currently undertaking various projects in Africa. These include the Training of Trainers Program in Senegal, the upcoming Role of Actuary seminar in Angola (August 4-5, 2011) and the establishment of a university course in Sudan;
- Discussion of Benin issues; and
- Planned IAA Fund meetings for 2011:
 - Seminar in Colombia;
 - Seminar for Balkan Associations in Zagreb (October, just after the IAA meetings);
 - East Asian Actuarial Conference (October in Kuala Lumpur);
 - Role of Actuary seminar in Angola (August 4-5); and
 - Second Regional African Congress (location and dates to be announced).

The topics discussed in earlier meetings were reviewed, including the discipline support for the smaller associations and mentorship program. It was agreed to work with the Professionalism and Accreditation Committees on setting up a formal process for helping the smaller associations in discipline cases. The chairpersons of the subcommittees will determine the needs for mentorship in the regions.

The committee was informed about the recent developments regarding the Educational Needs

Survey, including the creation of a task force to review the questionnaire. Committee members will have an opportunity to review the questionnaire before it is reissued.

With The A&A Committee agreed to the disbandment of the China Subcommittee and, the committee expressed its gratitude to the last Chairperson, Estella Chiu, and all her predecessors for their fabulous work throughout the years. The China Subcommittee enjoyed a lunch with representatives from the China Association of Actuaries.

Asia Subcommittee (of the Advice and Assistance Committee)

Darryl Wagner, Chairperson

The Asia Subcommittee held its first face-to-face meeting during the IAA meetings in Sydney. Prior to this, a conference call was held to introduce the group, discuss the TORssubcommittee's terms of reference, and talk about the subcommittee's plans at a high level. In Sydney, three major topics were discussed:

- Membership Assistance;
- Interaction/Meetings; and
- General Coordination and Communication.

With regard to Membership Assistance, a map of Asia was reviewed, with a colour coding of the subcommittee reviewed different membership status of countries in the region. and It was agreed to focus efforts in the near term on South, East, and South-East Asia. The areas specific countries and /or associations selected were Mongolia, South Korea, Sri Lanka, Bangladesh, and Vietnam, where the focus will be on providing assistance with the target country either becoming an Associate or a Full Member of the IAA. Also on the radar screen are Central Asia and the Pacific Islands.

Insurance Accounting

Sam Gutterman, Chairperson

The International Accounting Standards Board's (IASB) insurance contracts project, which will replace the current International Financial Reporting Standard (IFRS4), was the focus of discussions. This IASB project is currently expected to be adopted this year. Issues that might warrant the committee's immediate attention include discount rates, risk adjustments and subsequent measurement of residual margins. The IAA was represented at both the March and May meetings of the IASB's Insurance Working Group.

Other committee activities were also addressed, including comment letters being developed or planned for exposure drafts of the IASB and the International Auditing and Assurance Standards Board (IAASB).

Actuarial Standards Subcommittee (of the Insurance Accounting Committee)

David Congram, Francis Ruygt, Co-Chairpersons

The Actuarial Standards Subcommittee had a full agenda, covering the following:

- An early draft version of the subcommittee's upcoming monograph on discount rates and related issues (fully funded by certain actuarial associations around the world) was presented by the team of authors. A lively discussion took place on the topic of the appropriate treatment of discounting issues related to the financial reporting of insurance contracts and pension programs. This was followed up in the joint IAC/Pension and Employee Benefits Committee meeting.



- The stochastic modeling book so far has been a success. All member associations were encouraged to continue to promote the book in their jurisdictions.
- It was decided to move ahead with the development of a new monograph on adjustments for risk.
- The revised version of the overall IAA infrastructure for the development of a set of international actuarial standards was reviewed. A subset of the subcommittee will be the IFRS (Insurance) specialty team, reporting to the Interim Actuarial Standards Subcommittee (IASSC).



- The subcommittee began organizing teams to produce drafts of what is likely to be a series of international actuarial notes (IANs), that will provide educational material useful to actuaries in their implementation of the revised version of IFRS 4. In addition, recommendations will be made regarding the material needed to form a separate International Actuarial Standard of Practice (IASP). The IAA Core Standards team's development of a generic IASP will be followed, as this IASP is intended to replace most if not all of current IASP 2, Actuarial Practice.

Insurance Regulation

Toshihiro Kawano, Chairperson

- The contents of the revised draft paper on The Roles of the Actuary in Systemic Risk Regulation in the Insurance Industry were discussed. The near final version will be distributed after the meeting for further review.
- The committee discussed the draft Insurance Core Principle (ICP) 14 (Valuation) of the International Association of Insurance Supervisors (IAIS). Draft IAA comments on ICP 14 and on overall ICPs will be prepared in cooperation with the Insurance Accounting Committee and sent to members after the meeting for their review. The topics relating to the Financial Stability Committee and Macroprudential Policy and Surveillance Working Group of the IAIS were reported upon. Updates on EU Solvency II and gender differentiation were also provided.

ComFrame Task Force (of the Insurance Regulation Committee)

David Sandberg, Chairperson

The Task Force discussed the related topics on the Internationally Active Insurance Groups (IAIG), Own Risk and Solvency Assessment (ORSA) and systemic risk. It also discussed the development of an illustrative set of case studies for the IAIS on insurance groups which identify the issues relating to the legal and risk dimensions.

Solvency Subcommittee (of the Insurance Regulation Committee)

Henk van Broekhoven, Chairperson

The subcommittee decided to develop the new Blue Book II which will include chapters on special topics written by specialist authors. A small group was established to articulate the project. The time frame for development will be two to three years.

Reinsurance Subcommittee (of the Insurance Regulation Committee)

Michael Eves, Chairperson

The subcommittee discussed their activity plan. Some issues relating to the IAIS and International Actuarial Standard of Practice on reinsurance were raised. A presentation on systemic risk from a reinsurance perspective was recently made to the Reinsurance Transparency Group of the IAIS and this was reported to the subcommittee.

Interim Actuarial Standards Subcommittee (IASSC) (of the Executive Committee)

Dave Pelletier, Chairperson

The Subcommittee was formed in late 2010, in line with the IAA's new strategic objective to "promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations, and the global convergence of actuarial standards". An identified priority for the IAA is the development of International Actuarial Standards of Practice (IASPs) which can serve as both models for national associations or standard-setters, and also as standards for individual actuaries to follow where their use has been agreed upon for purposes of a specific engagement. The IASSC had two conference call meetings earlier in 2011, and its first face-to-face meeting in Sydney on April 6.

Five priority areas for IASPs have been identified, and a task force established for each. These are:

1. General practice;
2. Actuarial work supporting insurance accounting under international standards;
3. Accounting for pensions under international standards;
4. Social security valuation; and
5. Enterprise risk management (ERM).

The IASP to be developed first is one on general actuarial practice. In this way, standards in the other four areas (actuarial work supporting insurance accounting under international standards, accounting for pensions under international standards, social security valuation, and ERM) can focus on matters specific to those practices rather than repeat "general"

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or “generic” material. Comments received are being reflected in a further draft being circulated to the members of the other task forces, before going to wider circulation and the Exposure Draft stage.

The IASSC will outline its view of what the objectives and purposes of IASPs should be in a draft paper that will be available sometime in the next 3 months.

An important matter for the IASSC is the due process under which IASPs will be developed and approved, a key aspect of which will be the process of consultation with member associations and other relevant entities.

The IASSC will be active over the next several months and years, as it and its associated Task Forces proceed with the development of IASPs in the areas discussed above, in close consultation with the practice committees, member associations, and the Standard-Setters Round Table.

Mortality Working Group

Martin Stevenson, Chairperson

Members of the Working Group will be commenting on the Cass study on mortality improvement assumption. Once the paper is finalized, an advance copy will be sent to the OECD and the IAA will publicize its findings.

The Mortality Working Group is a sponsor of the emerging trends in mortality and longevity 2011 symposium, to be held in Warwick, UK September 13 and 14, 2011. Speakers will include Brian Ridsdale, Henk van Broekhoven and Al Klein.

The Working Group is contributing to the SOA's Table Manager, a collection of global mortality tables.



The Underwriting Specialist Subgroup will present a report on current underwriting types by country at the meeting of the Working Group in Zagreb. The eventual goal is to present results at ICA 2014 and other venues.

The Working Group will keep a watching brief on developments in the European Court of Justice Ruling on use of gender in insurance pricing

Reports on mortality trends and uncertainty and on the mortality of disabled people will be presented at the Zagreb meeting of the Working Group.

The Working Group will consider at its Zagreb meeting a formal set of criteria for admitting new members and the conditions for existing members to retain membership of the Group.

Nominations Committee

Paul Thornton, Chairperson

Pensions and Employee Benefits

Gary Hibbard, Chairperson

The Pensions and Employee Benefits Committee meeting was mainly focused around three of the IAA's strategic objectives. The committee expects these objectives to form the bulk of its agenda over the next six months. Six new members were welcomed and the committee was pleased that Arup Chatterjee of the Asian Development Bank was able to attend for the whole meeting.

The IAA was pleased to publish its Note on *Enterprise Risk Management for Pensions* in March. This paper discusses the application of the principles underlying the ERM framework to pensions and demonstrates that ERM is a robust and adaptive framework that can strengthen the financial health of pension plans by integrating quantitative and qualitative approaches to risk management.

Co-vice chairperson Tom Terry, led two fascinating discussions on the application of ERM to pensions. The first discussed the findings of a U.S. task force that applied the ERM framework to the question of State (local government) pension plan funding levels in the US. The committee discussed how the ERM framework can help manage the case for change through promoting transparency of the risks to all the different parties and clarity of their roles in addressing those risks. Secondly, the Institute of Actuaries in

Australia explained how they are developing tools to promote a forward risk based supervision model to the operation of industry-wide DC plans.

With so much work going on in ERM globally, the committee agreed to form a networking group to share best practice in applying ERM to pensions, both during and between meetings.

Co-vice chairperson Esko Kivisaari updated the meeting on the cooperation of the committee with the Organization for Economic Cooperation and Development (OECD) and the International Organization of Pension Supervisors (IOPS). Together, along with the committee, OECD and IOPS have worked to promote risk-based supervision and develop policy options around the decumulation phase in Defined Contribution Plans, specifically to strengthen retirement income adequacy in DC plans (e.g., whether some form of compulsory deferred annuity purchase is appropriate) and adequacy in retirement savings levels generally. An IAA working group was formed in 2010 to support cooperation with the OECD, IOPS and World Bank comprising representatives from Australia, Ireland, Finland, Russia, South Africa, Sweden and UK. If your member association would like to contribute directly to this leading edge work please contact [Esko](#).

Esko also reported on developing links with the World Bank. The working group commented on papers on *Discount Rates and the Valuation of Pension Liabilities and The Mechanics and Regulation of Participating and Unit-Linked Variable Payout Annuities*. The World Bank has recently published a book, *Governance and Investment of Public Pension Asset*, which the working group is proposing to comment on through an ERM lens.

Finally, Tom Terry led a discussion on a paper by the International Monetary Fund (IMF) on stress-testing in defined benefit plans. The committee agreed it should work with the IMF to develop these ideas further. If you would like to have input into this work please contact Tom.

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

Alf Gohdes, Chairperson

The Subcommittee noted that the International Accounting Standards Board (IASB) had completed its deliberations on the proposed Phase 1 changes to IAS 19. The Subcommittee has been active in contributing to those discussions with the IASB staff, expanding on the IAA's response to the exposure draft in September – particularly concerning disclosure – and reviewed a draft of the amendments to IAS19 in March. The new IAS19 is expected during May.

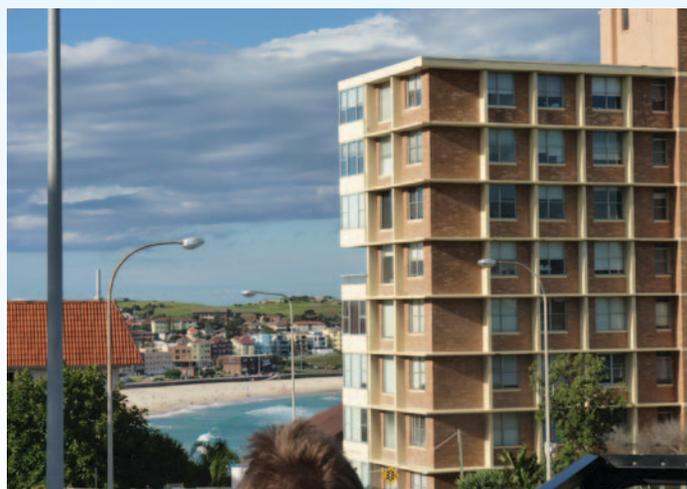
Although the timetable for the Phase 2 fundamental review of IAS19 is not yet clear, the IASB has asked the IAA for advice on setting discount rates for accounting purposes. Members of the Subcommittee shared with the meeting their emerging thoughts around projecting cash flows, framing the discount rate given those cash flows, and comparisons between measurement of insurance and pension obligations. Further work on these topics will be actioned for Zagreb. The Subcommittee also met with Milliman to consider an early draft of the IAA's educational monograph on the use of discount rates in financial reporting. This was discussed further with the project steering group at the joint meeting with the Insurance Accounting Standards Subcommittee.

Professionalism Committee

Michael Pomery, Chairperson

The Committee discussed three significant papers, all of which will, it is hoped, be presented in final form to the IAA Council in Zagreb in October. The first paper addressed the priority action in the IAA Strategic Plan "to develop a common understanding of professionalism". The draft paper develops a definition of professionalism and expounds a set of core principles of professionalism. It includes a large number of recommended future actions for the IAA to embed these principles in the education and accreditation processes. The paper was well received by the committee, and there was positive feedback from the other committees which had discussed it in Sydney.

The second paper addressed the governance of international actuarial work and considers, amongst other matters, how cross-border work should be defined, what ethical and technical standards should apply, and how any cases of alleged misconduct should be investigated. This paper represents the



culmination of a series of debates within the committee and also includes a number of recommended actions for the IAA to adopt, as well as raising the profile of the issues surrounding cross-border work.

The third paper was an interim report from the Due Process Task Force on proposed changes to the due process for setting IAA model standards, which generated a lively debate. It was recognised that the paper was “work in progress” and the task force was congratulated for covering much ground in a short time. It was felt that many of the draft proposals would not only be useful for the interim standard-setting structure currently in place, but could also form the foundation of a more permanent due process.”

Social Security Committee

Robert L. Brown, Chairperson

- Representatives of the Social Security Committee and of the Supranational Relations Subcommittee will meet in Geneva with ISSA and ILO, September 22–23.
- A first draft of a possible IAA International Actuarial Standard of Practice for Social Security is complete. The committee is awaiting the IAA Generic Standard and will then update the IASP for Social Security.
- A long discussion was held with respect to the draft discussion paper on stochastic modeling as it might apply to social security systems. The committee also had several comments from Sam Gutterman. Bruce Schobel will reflect all of these comments in his next iteration.
- The committee was brought up to date with activities within the Population Issues Working Group. In particular, Andrew Young has taken over as chairperson from Alvaro Castro Gutierrez.

- The committee was made aware of the upcoming PBSS Colloquium in Edinburgh, September 26–27. Rob Brown, Jean-Claude Ménard and Martin Lunnon will be speakers.
- Rob Brown noted that this will be his last meeting as chairperson of the Social Security Committee. Junichi Sakamoto will have taken over his role as chairperson by the time the next IAA Council and committee meetings take place in Zagreb.

Supranational Relations Subcommittee (of the Executive Committee)

Ken Buffin, Chairperson

The subcommittee established a number of priority objectives for 2011. High priority for relationship development and strengthening will be accorded to the Asian Development Bank, InterAmerican Development Bank and African Development Bank. The World Health Organization was identified as a potential high-profile new target for relationship development.

The subcommittee also discussed ongoing plans for a seminar on the topic of stress-testing to be held at the International Monetary Fund in September. A separate planning meeting was also held to prepare for the second annual Discussion Forum to be held in Geneva in September at the office of the International Labour Organization in collaboration with the International Social Security Association. Other significant topics that were discussed include: participation in the World Bank Contractual Savings Conference to be held in Washington in January 2012; coordination with Actuaries without Borders on potential World Bank projects; internal liaisons with IAA committees and working groups;

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and development of communications material for supranational organizations concerning the role of the IAA.

PBSS Section

Chris Daykin, Chairperson

Plans are at an advanced stage for the PBSS Colloquium in Edinburgh, UK on September 25–27, 2011. The program can be found on the website and looks very interesting. The speakers and presenters are all lined up; lots of participants are now needed. Please register [online](#).

Future colloquia have now been confirmed for Hong Kong (May 6–9, 2012, jointly with IACA and IAAHS) and France in 2013 (jointly with AFIR).

Next Meetings

The next meetings of the IAA Council and committees will take place in Zagreb, Croatia, starting on the afternoon of September 29 and ending on the morning of October 2.