



This Special Newsletter will give you a quick report on the discussions and action items arising from the recent IAA Council and Committee meetings held in Limassol, Cyprus from November 1-4, 2008. More details are available through the minutes of the various committee meetings that are posted to the Web site as they become available. The next regular issue of the Newsletter will be published in a few weeks.

COUNCIL

Voting Rights represented at the Council meeting (including ballots and proxies): 91 out of 127 (71.65%)

Ballots: Instituto Brasileiro de Atuaria, Actuarial Society of Hong Kong, Society of Actuaries of Thailand, IAA Health Section, Association Suisse des actuaries

Proxy: New Zealand Society of Actuaries

A number of special guests had accepted our invitation to join us in Cyprus and we were honoured by the presence of:

Rob Curtis, International Association of Insurance Supervisors

Karen Doran, International Association of Insurance Supervisors

Rob Esson, Chairman, Insurance Contracts Subcommittee, IAIS

Paul Seymour, Chairman, Board for Actuarial Standards

Council received the reports of the [President](#) and of the [Secretary General](#) on current activities.

NEW MEMBERS

The Council admitted the following organizations as Full Members:

The Russian Guild of Actuaries (RGA)
Caribbean Actuarial Association (CAA) (*subject to approval by their AGM in December of recommended changes to their Constitution, Statutes, Disciplinary Process, Code of Professional Conduct and Due Process for Adopting Standards of Practice*)

Total number of Full Members: 62

Total number of Associate Members: 23

IAA Special Newsletter

November 2008

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OFFICERS — 2008

David G. Hartman, President

Yves Guérard, Secretary General

Katsumi Hikasa, President-Elect

Hillevi Mannonen, Immediate Past President

CYPRUS: A PERFECT SETTING FOR CRISIS MANAGEMENT

One of the hottest topics in Cyprus was one that was not even on the agenda when planning for these meetings! The recent developments in the financial markets have raised serious questions about the effectiveness and efficiency of prudential, risk and general management of the financial services industry, both for individual firms and the system as a whole worldwide. This clearly has implications both for individual actuaries and the actuarial profession globally.

During our meetings held in Cyprus, we recognized the need to actively monitor the continuing development of the credit crisis and to contribute to processes designed to develop solutions to many of the lessons that are being learned from this crisis.

Following-up on an announcement made at the Council meeting, an Advisory Task Force on Risk Crisis has been created to initiate discussions on potential reforms and to consider the strategic



implications of the credit crisis for the actuarial profession globally. The role of the Advisory Task Force is to provide advice and guidance to a sub-group of the Enterprise and Financial Risks Committee lead by Tony Coleman in his capacity as Chair of that Committee. The sub-group includes David Ingram, Dave Sandberg and Don Mango (from North America), François Bonnin, Francis Ruygt, Bruce Porteous and Seamus Creedon (from Europe) and Tom Karp, Mike Barker and Masaaki Yoshimura (from the Rest of World). In accordance with the IAA's vision statement identifying the management of risk as a key area of actuarial expertise, the sub-group has been tasked with preparing an appropriate reaction by the IAA on behalf of the global actuarial profession to the recent financial crisis. The Advisory task force is being chaired by the President of the IAA and reports to the Executive Committee.

The expected outcomes are:

- a public statement to be issued in a timely manner targeting the Financial Stability Forum, the Governments, the regulators and the major financial institutions focusing on the potential contribution of the actuarial profession to the management of risk in the banking sector
- a communication program comprising a set of documents that could be used by the IAA, its member associations and actuaries in general over the next 12 months to promote the actuarial profession as a qualified major player in the management of risk in both the financial (bank and non-bank) and the real sectors

Given the timeliness of the matter, the public statement will be submitted for approval by the member associations with a response time of two (2) weeks from its distribution date, instead of the usual two (2) months.

The communication program documents shall be submitted for approval by the member associations with a response time of one (1) month from the distribution date of each component, instead of the usual two (2) months.

On November 15, the leaders of the G20 nations (Argentina, Australia, Austria, Brazil, Canada, China, Eurozone, France, Germany, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom and USA) met and issued a declaration setting out a program of reform initiatives to strengthen existing regulatory frameworks to address lessons learned from the credit crisis

www.whitehouse.gov/news/releases/2008/11/20081115-1.html.

The IAA strategy is to contribute to this ongoing reform process by contributing on many of the issues outlined in the G20 Declaration. This will involve, amongst other things, taking steps to ensure that:

- (i) risk measures become more transparent and reportable by all major financial market participants,
- (ii) accountability for risk management is introduced for all major financial market participants (not just banks and insurers),
- (iii) existing prudential regulatory arrangements become more anti-cyclical and less pro-cyclical so as to avoid increasing systemic risk during periods of stress, and
- (iv) institutional prudential regulation becomes more genuinely internationally capable and less focused on geographic and industry silos which allow regulatory arbitrage to occur.

The intention is to facilitate the actuarial profession making a coordinated response to interested parties in conjunction with the initiatives of member associations of the IAA around the world. The expected outcome includes:

- support for member associations by developing explanatory presentations of the background to the crisis and how it might in part have been mitigated by better risk management practices; and
- development of thinking and presentations aimed at the 'policymaker' audience addressing broader considerations of financial stability. The theme of these would be the potential for the



profession to support achievement of a more stable system.

Amongst other issues, the sub-group of the Enterprise and Financial Risks Committee will also examine:

- The influence of incentive based compensation on behaviour, with an implication that organisations should hold capital appropriate to the degree of risk that incentive compensation generates for the institution, particularly for potential losses beyond the incentive horizon.
- The need for market players to be incentivised to consider the 'tragedy of the commons' whereby apparently rational behaviour on the part of individuals can lead to disaster for the common good.
- Prudential supervision having both 'micro' (firm) and 'macro' (system) dimensions which must always be considered together. Macro-prudential supervision may need the more attention.
- Leakage of risk to 'shadow' unregulated systems and arbitrage between accounting and/or solvency frameworks.
- The relevance (and promotion of) the 'actuarial control cycle' concept, particularly in managing 'bubble' or 'up-cycle' risk and the possibility of introducing counter-cyclical provisioning (if feasible under possible reforms to accounting standards).
- Professionalism and independence issues in the management of risk, so that judgements are exercised with appropriate transparency.

Members interested in contributing to the work of the IAA Advisory Task Force on Risk Crisis are invited to contact the Secretariat at secretariat@actuaries.org.

STRATEGIC PLANNING

With the adoption of the Strategic Plan by Council, the Task Force on Strategic Planning (TFSP) will now focus on governance. The following timeline was presented and accepted:

- Draft governance structure to be exposed for electronic comments post-Limassol (issued on December 1, 2008 with a request for responses by December 31, 2008)
- Final draft for Council discussion and approval in Tallinn (May 2009)
- Failing approval in Tallinn, revised and submitted for electronic approval post-Tallinn (June/July 2009)
- Implementation measures for Council approval in Hyderabad (November 2009)
- New governance structure to be effective from the meetings in Cape Town (March 2010)

INTERNAL REGULATIONS

A motion to clarify the intent of Internal Regulation Article 3.1.2 as to who could be appointed as a Council or committee delegate was postponed to provide member associations with more time to fully consider the proposal. It will be sent to the Task Force on Strategic Planning for consideration in its governance review.

Council approved a modification to Article 3.1.1 of the Internal Regulations, which was further modified onsite, to clarify attendance at Council meetings.

(The additions appear in underlined text.)

"Meeting of the Council shall be open. Council agendas and minutes with related documents shall be available electronically. Non-delegates may attend as observers, but may not participate in the meeting discussions, unless explicitly invited to do so by the Chair. The Council can hold in camera sessions; for such sessions, attendance would be restricted to the holders of voting rights for that meeting, the Officers and the Committee Chairpersons, and any invitees of the President."



INTERNATIONAL ACTUARIAL STANDARDS OF PRACTICE (IASPs)

The Council adopted, on the recommendation of the Committee on Pensions and Employee Benefits, and supported by the Actuarial Standards Subcommittee of the Insurance Accounting Committee and by the Committee on Professionalism, a practice guideline on an experimental basis with a view to subsequent updating and revision in light of experience with its operation. IASP 2 – Actuarial Practice when Providing Professional Services Concerning Financial Reporting under International Financial Reporting Standards (IFRS).

DUE PROCESS FOR IASPs and IANs

The Council adopted, on the recommendation of the Professionalism Committee, a due process for International Actuarial Standards of Practice (IASPs) and for International Actuarial Notes (IANs).

MICRO-INSURANCE

The Executive Committee recommended the creation of a Task Force on Micro-Insurance to be led by Luis Huerta of Mexico. Contact the Secretariat if you are interested in participating in this work. A full-day seminar is being planned in conjunction with the IAA meetings in Tallinn in May 2009.

ENTERPRISE RISK MANAGEMENT (ERM)

A request was submitted for the Council to consider the status of the ongoing initiatives regarding ERM.

COMMITTEE AND SECTION MATTERS

Council approved appointments and re-appointments to the various committees and subcommittees. The full deployment chart with

dates of appointment and expiry is available for consultation.

After the Council meeting, in accordance with Article 9 of the Statutes, the President provisionally approved Cecil Bykerk (Society of Actuaries), on the recommendation of the Nominations Committee, to replace the regretted Dan McCarthy as a member of the Task Force on Strategic Planning effective immediately. This appointment will be on the agenda for formal approval by Council at its next meeting on May 30, 2009 in Tallinn.

Revised terms of reference were adopted for the following committees and subcommittees: Advice and Assistance, Latin America, IAA Fund, Professionalism, Social Security, and Supranational Relations.

The Task Force on Financial Economics of the Enterprise and Financial Risks Committee, having completed its mandate, was disbanded with thanks.

An Africa Subcommittee, reporting to the Committee on Advice and Assistance, was created to help with the development of the actuarial profession in Africa. It is being led by Giovanna Ferrara (Italy) as Chairperson, and Mustapha Lebbar (Morocco) and Basil Reekie (South Africa) as Vice-Chairpersons. Full Member associations are invited to appoint a delegate to this subcommittee if they wish to contribute to the work of this new subcommittee. Please advise the Secretariat of the name of your appointed delegate.

In advance of the Council meeting, all Committees and Sections were invited to submit a written report on their activities following the meetings in Québec City in June 2008. Below are the highlights of their discussions in Limassol, along with a link to their full written report which provides additional details.

Accreditation

Juan Carlos Padilla, *Chairperson*

The ad hoc Self-Assessment Working Group (SAWG) of the Accreditation Committee has made progress in reviewing the completed self-



assessment questionnaires received from Full Member associations to determine whether they remain compliant with the IAA membership requirements or whether their supporting documents need to be updated. The Committee will be reporting to each Full Member association the results of the review and evaluation of their respective self-assessment.

Full Committee Report

Advice and Assistance (A&A)

Robert Conger, Chairperson

The A&A Committee:

- enumerated action steps to launch the newly created Africa Subcommittee, conduct a colloquium in Africa, and assess the actuarial situation across Africa;
- discussed the progress of the actuarial profession in China;
- reviewed action plans for Latin America;
- discussed potential outreach to priority areas and established several next steps for information gathering;
- discussed potential ways to address the needs of less mature actuarial associations for support in conducting professionalism courses and in dealing with discipline cases; and
- planned for a session and IAA Fund reception at ICA2010.

Full Committee Report

Education

Mary Frances Miller, Chairperson

The Education Committee focused on:

- progressing work on the development of a database of educational materials being used by associations, to be organized by syllabus topic;
- progressing the organization of an education seminar, co-sponsored by the Groupe Consultatif Actuariel Européen, in conjunction with the IAA meetings in Tallinn, Estonia in May 2009; and

- Professionalism Skills Education; in particular, it is beginning to develop recommendations for the seminar agenda

Full Committee Report

Executive Committee

David G. Hartman, Chairperson

The EC spent a good part of the meeting considering the work of the Task Force on Strategic Planning with respect to implementing the strategic plan, as well as addressing the next steps which include a review of the governance and structure.

Other issues addressed include the recommendation for a task force on micro-insurance, the development of a publications policy, and the need to address risk through the creation of an Advisory Task Force of the EC on Credit Risk.

International Education Program (IEPC)

Alf Guldberg, Chairperson

The Seminar on the International Actuarial Education Program (IAEP) held in Cyprus on November 1 provided the background to the current IAEP proposal and the profiles of various less actuarially developed areas (LADAs) that could benefit from assistance through the program, together with various prototype approaches. A number of key issues for the development of specific education proposals were identified so that a business case could be prepared for the Steering Committee in seeking funding proposals. The IEPC supported the views expressed at the Seminar and resolved to recommend a regional and country by country modular approach.

Through a recent communication, the IEPC encourages all Full Member Associations who are currently assisting (or developing plans to assist) any LADAs to progress their endeavours and to bring forward proposals which could be integrated into the business plan for the IAEP. This was accompanied by a short questionnaire. In both cases, the deadline for response is December 19, 2008.

Full Committee Report



Insurance Regulation

Rolf Stölting, *Chairperson*

The committee mostly addressed the relationship with different global organizations such as the IAIS and the OECD. As the demand for more regulation in general comes up because of the financial crisis, actuaries could see an increase in requests to participate in finding solutions for the future. This was also a subject of discussion in the *ad hoc working group on the role of the actuary*.

[Full Committee Report](#)

Member Services

Ibrahim Muhanna, *Chairperson*

- The MSC accepted the report of the Task Force on Sections, which has been forwarded to the Executive Committee for comments prior to finalizing the recommendations.
- All bids for hosting the Congress in 2018 must be received in time for the MSC meeting in Tallinn. A decision will be made within one year, and at the latest in Cape Town.
- The revised Criteria for Bursaries that will apply for the ICA 2010 were also approved by the MSC.

[Full Committee Report](#)

Nominations

Hillevi Mannonen, *Chairperson*

The Nominations Committee (NC) decided to make a proposal to the Council in Tallinn that the term of a vice-chairperson should normally be for two years, instead of the current one year requirement. In addition the NC agreed to propose a clarification to its Protocol to the effect that, in view of his/her special role, an IAA Delegate to a Section Committee cannot also serve in a leadership role in the Section Committee.

[Full Committee Report](#)

Pensions and Employee Benefits

Esko Kivisaari, *Chairperson*

Discussion centered on IAA comments to the IASB Discussion Paper that had been sent in September. Most commentators supported the removal of the corridor and reporting actuarial gains and losses without amortization through profit and loss or other comprehensive income. Other proposals from the IASB did not gain much support.

The Committee also discussed the need for risk margins or solvency margins in pension liabilities. It was understood that more preparatory work was needed before an IAA view on these issues could be formed.

The Committee expressed interest in participating in the International Congress of Actuaries (ICA) in Cape Town in March 2010 with a presentation on accounting for pensions.

The Committee maintains contacts with the Organization for Economic Cooperation and Development (OECD), the International Organization of Pension Supervisors (IOPS) and the World Bank through participation in their events, providing speakers and commenting on their documents.

[Full Committee Report](#)

Professionalism

Michael Pomery, *Chairperson*

The Committee considered the implementation of the revised Due Process for model International Actuarial Standards of Practice (IASPs) and International Actuarial Notes (IANs). It was agreed to work on a template for IASPs and IANs in parallel with the transition of the current twelve Class 4 IASPs. Of these, IASP 1 is currently being reviewed and IASPs 3 – 12 are likely to become IANs, but there is no appetite to do any significant transitional work on many of these, as the IASB is planning to review the accounting standards to which they relate. It was therefore agreed to concentrate on IASP 2, in conjunction with the Insurance Accounting and the Pension and



Employee Benefits Committees, with a view to bringing it forward as the first model IASP under the new Due Process.

The Committee considered an early draft position paper on the subject of whistle-blowing, which distinguished between whistle-blowing to a regulator and to a professional association. It was agreed to develop the paper.

The Committee discussed the provision of a template of a professionalism course to assist smaller associations. It agreed to help the Education Committee in this project. It also decided to offer to run a sample course as a contribution to the ICA 2010, either presenting case studies in a workshop as part of the scientific programme or as a full day separate event on a date close to the Congress.

Full Committee Report

Social Security

Rob Brown, *Chairperson*

The Committee:

- continues to liaise with the World Bank in the hopes of seeing evolution on an eight-point action list agreed to with the World Bank last June 9;
- agreed (unanimously) to new Guidelines of Actuarial Practice for Social Security Programs which will now go to the Professionalism Committee for processing;
- discussed the response it had prepared for the International Public Sector Accounting Standard Board (IPSASB), mostly with respect to their intended direction re: reporting of liability values of national Social Benefit programs. The response was filed with them on July 31, 2008 and the Committee continues to monitor their web site for further developments.; and
- continues to offer its support in helping to plan sessions for ICA 2010 in Cape Town.

Full Committee Report

Supranational Relations

Philippe Maeder, *Chairperson*

The Supranational Relations Committee was informed of the latest version of the IAA strategic plan and debated the implications for its own functioning. An action plan will be set up by the end of 2008 that will describe goals, actions and success criteria relevant to the relationships managed by the Committee. A discussion will take place with the IAA Executive Director towards a more active and permanent involvement of one of the staff members for the various Committee activities resulting from the strategic plan priorities/action plans.

The main part of the meeting was the review of relationships during the last months. While it was noted that the relationship with the World Trade Organization (WTO) came to a standby after the failure of the Doha negotiations, some successes were recorded with the Asian Development Bank (ADB) and the World Bank where relationships were reactivated and specific topics addressed or added to a to do list. The achievement of a mutual observer status with the IAA is a goal that will be pursued with organizations such as the ADB and the World Health Organization, while it will be revived with the World Bank.

Full Committee Report

AFIR

Jean Berthon, *Chairperson*

Hot topics from the 18th AFIR Colloquium held in Rome early October include regulation and risk management, risk analysis in corporate finance and pension, life and health risks. Papers are available online at

www.actuaries.org/AFIR/Colloquia/Rome2/papers.cfm.

The AFIR Section is committing \$50,000 CAD for bursaries to be awarded for the 2010 Congress.

Full Committee Report



ASTIN

Harry Panjer, *Chairperson*

The 38th ASTIN Colloquium held in Manchester, UK July 13-16 addressed such issues as Solvency II and International Financial Reporting Standards (IFRS), insurance enterprise risk management, emerging risks and the actuary's toolkit. Presentations are available online at: www.actuaries.org/ASTIN2008/

ASTIN has committed to providing bursaries up to a total value of \$50,000 CAD for the Congress in Cape Town in 2010.

[Full Section Report](#)

ACTUARIES WITHOUT FRONTIERS (AWF)

Edward J. Levay, *Chairperson*

The projects in Puné, India in micro-insurance/micro-finance are in continuous progress. A project for lecturing sessions for the Actuarial Society of Kenya is in an advanced stage. Volunteers and financial support are being sought. More information is available on the AWF website www.IAA-AWF.org.

Two additional requests are being followed up with Benin and the Society of Actuarial - Cameroon.

[Full Section Report](#)

IACA

Hideyuki Yoshida, *Chairperson*

The IACA Committee received a briefing on the report of the IAA Task Force on Sections and discussed its main findings. The Committee also welcomed Nick Dumbreck who will become an IAA appointed delegate to IACA effective January 1, 2009.

The Committee discussed 2009 action plans including preparations for IACA speakers to participate in the February 2009 annual members' conference of the UK Association of Consulting Actuaries, the September 2009 East Asian Actuarial Conference to be held in Seoul, Korea, and the October 2009 PBSS Colloquium to be held in Tokyo, Japan.

The Committee also convened a luncheon meeting of its Global Development subcommittee to discuss the IAA Strategic Plan Objective 4 to support the development, organization and promotion of the actuarial profession in areas of the world in which it is not present or is not fully developed.

[Full Section Report](#)

IAAHS

Emile Stipp, *Chairperson*

The IAAHS is looking into facilitating webcasts to ensure that actuaries, particularly in developing countries, are also exposed to experts and health actuarial concepts at the cutting edge, without necessarily having to find the funds to travel to a colloquium.

IAAHS has introduced an Academic Relations Committee to address a particular need in the area of health actuarial work to build close ties with health economists and clinicians. This committee will focus on building ties with academics in the relevant fields and ensure that they are invited to speak on particular topics at IAAHS colloquia, to the extent that this is relevant to health actuarial work.

[Full Section Report](#)



LIFE

Kurt Wolfsdorf, Chairperson

The second Life Section colloquium was held in Quebec, Canada June 16-18. The presentations are available online at

www.actuaries.org/LIFE/Events/Quebec/program.cfm.

[Full Section Report](#)

PBBS

Chris Daykin, Chairperson

Several PBBS Section members participated in the International Social Security Association (ISSA) Technical Seminar for Social Security Actuaries and Statisticians held in Limassol, Cyprus, October 30-31.

[Full Section Report](#)

PRESIDENTS FORUM

The Presidents of Full and Associate Member associations met for a full day. Their discussions focused on the approval of a mission and vision statement; the results of a strategy and finance survey of member organizations; the future of the profession and the role of the IAA; a global enterprise risk management (ERM) designation and the IAEP.

PROTOCOL FOR SPECIAL RECOGNITION

A revised Protocol for Special Recognition was adopted, as presented.

2009 BUDGET

The 2009 Budget was approved, as presented.

REGISTRATION OF BUSINESS NAME

The registration of the following business name regarding the IAA's operations in the Province of Ontario, Canada, was adopted: IAA / AAI.

AUDITORS FOR 2009

Council re-appointed the firm of Watson Folkins Corey LLP as the IAA auditors for 2009.

NEXT MEETINGS

The next meetings of the IAA Council and Committees and of the Presidents' Forum will take place at the Swissôtel in Tallinn, Estonia from May 27-30, 2009. The schedule and registration form, as well as bedroom reservation details, will be announced shortly.