

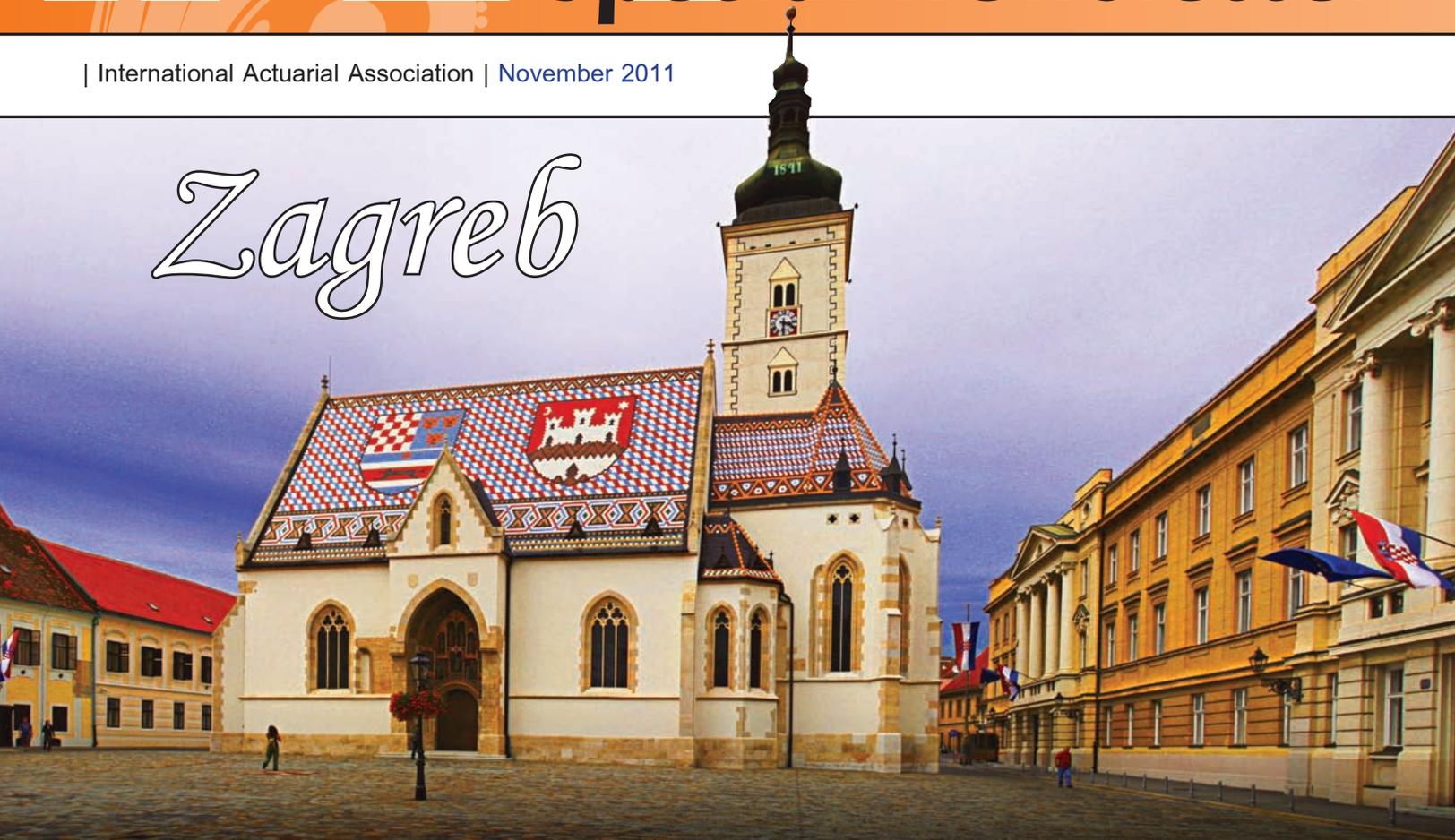
IAA



Special Newsletter

| International Actuarial Association | November 2011

Zagreb



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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 Zagreb, Croatia, from September 28 to October 2, 2011. These meetings were attended by 251 delegates who participated in 47 meetings filling 54 time slots over a period of 4.5 days.

President's Report

The President's report focused on the following points:

- Recent meetings, including those with supranational organizations, where presentations were made by the President, Immediate Past President and President-elect;
- IMF/IAA stress testing seminar and the Geneva Forum;
- Update on Memoranda of Understanding including the most recent one signed with the International Social Security Association (ISSA);
- Creation of the Regulated Professions Task Force and progression made with the IFAC joint task force in responding to the G-20; and
- Progress with the implementation of the strategic objectives.



IAA President
Cecil Bykerk

Secretary General's Report

The Secretary General's report addressed the following points:

- The activities of the Secretariat;
- Staff management issues;



- Updates on newsletters, news releases, conference calls and Zoomerang surveys;
- Progress with the IAA website;
- Promotion and sales of the Stochastic Modeling educational monograph;
- Update on search for an investment manager;
- Congress fund; and
- Section membership.

Council

The highlight of these meetings was an address by the Senior Expert in Finance and Insurance of the Organization for Economic Co-operation and Development (OECD), Tim Bishop. Tim, pictured right, presented to Council on the major challenges facing the development and acceptance of best practices in insurance and pension provision and the way that actuaries can support the OECD.



Tim Bishop, guest speaker from the OECD

In addition, Council addressed the following issues:

- Approval of appointments to the Audit and Finance, Executive and Nominations Committees for 2012.
- The Audit and Finance Committee TORs have been expanded to include risk oversight responsibility—this will be submitted to Council for approval by electronic ballot;
- An update from the Executive Committee including: the creation of a number of task forces and working groups; approval of the revised reimbursement policy (to be approved by Council by electronic ballot); approval of a policy on the use of the IAA logo; and review of strategic plan implementation;
- Review of the work of the Professionalism Committee and the guidelines on Continuing Professional Development;
- An update from the Practice and Education Subcommittee and approval of the Statement of Intent to issue an ISAP on Valuation of Social Security Programs;
- A report from the Audit and Finance Committee;
- A motion to approve signing authorities for all bank accounts;
- An update on the Communications Subcommittee;

- Approval of the 2012 budget;
- Appointment of BDO Dunwoody as the external auditors for the 2011 financial statements; and
- Election of the Officers for the year 2012.

Presidents' Forum

The Presidents' Forum held on October 1 was attended by the Presidents (or a senior member of the current leadership) of 48 Full and Associate Member associations. The [agenda](#) included the following presentations:

- Ethics and the Financial Crisis;
- Regulated Professions Task Force;
- Follow-up to the Risk Assessment of the Strategic Plan;
- The Croatian Actuarial Association; and
- Governance Structures of Associations.

Outgoing Chairpersons Recognized

The valuable contribution of the following outgoing chairpersons was recognized:

- Chris Lewis, Accreditation Committee, 2009–2011;
- Sam Gutterman, Insurance Accounting Committee, 1997–2011;
- Michael Pomery, Professionalism Committee, 2008–2011;
- Rob Brown, Social Security Committee, 2006–2011;
- Carla Angela, Actuaries Without Borders Section, 2009–2011; and

- Kurt Wolfsdorf, Life Section, 2005–2011.

The Work of Committees and Sections

Below are the highlights of Committee and Section discussions in Zagreb. The minutes of the various committee meetings include more details and are posted to the website as they become available.

Audit and Finance

Mike McLaughlin, Chairperson

The committee has reviewed the IAA investment report, finalized the transfer of ASTIN European investments to Canada and recommends the appointment of the firm of BDO Dunwoody as the auditors for the audit of the financial statements at December 31, 2011.

In addition, the Audit and Finance Committee has assisted the Secretariat in interviewing for the position of Director of Finance,

reviewed travel expenses, and hired an external consultant to assist with accounting functions in the interim.

Accreditation Committee

Chris Lewis, Chairperson

Two applications for membership of the IAA were considered by the committee – one for full membership and one for associate membership. The updated documentation for three associations was also reviewed. In addition there was a discussion on the adoption of a draft paper on non-compliant



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member associations, as well as an update on annual confirmation forms and outstanding dues.

The ad hoc Self-Assessment Working Group (SAWG) of the Accreditation Committee reported on its progress in reviewing the completed self-assessment questionnaires received from Full Member associations. This is to determine if their documentation continues to meet IAA membership requirements. This was the final report of the SAWG as a new process will be implemented.

Advice & Assistance

Tarmo Koll, Chairperson

The committee reviewed its workplan and discussed ways of working more effectively in the future.

The coordination of the work of the subcommittees with other IAA committees, especially with the AWB Section, was discussed. It was agreed that the subcommittee chairpersons appoint liaisons to assist with communications in specific countries.

The results from the IAA Survey on Education Requirements were discussed. It was agreed to approach those associations that had not yet responded in order to have a better overview of the situation in developing countries. The results will then be analysed. The task force will discuss the way forward in a conference call in the near future.

The committee welcomed a representative from Partners for Financial Stability (PFS), a project funded by USAID, and discussed supporting the development of the actuarial profession in certain target countries in South Eastern Europe and the Commonwealth of Independent States.

The IAA Fund has recently supported several meetings on the role of the actuary in various venues



throughout the world. Immediately after the IAA meetings, a regional meeting of the South Eastern countries was also held in Zagreb.

The other meetings supported by the IAA Fund were the East Asian Actuarial Conference in Kuala Lumpur, Malaysia (October 10); the regional seminar in Bogota, Colombia (November 21–22); the Second Regional African Congress in Nairobi, Kenya (November 2–5); and the Role

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of the Actuary seminar in Ulan Bator, Mongolia (November 14–15).

Asia Subcommittee (of the Advice and Assistance Committee)

Darryl Wagner, Chairperson

The subcommittee dealt with three main topics: the revision of its terms of reference (TORs); updates on its efforts to work with several countries in the region; and planning for upcoming events in Kuala Lumpur and Hong Kong.

Although the subcommittee was formed just this year, an important revision needed to be made to the TORs to include China in the scope of its work now that the China Subcommittee had been disbanded.

The subcommittee discussed the five target countries for building relationships and providing advice and

assistance: Mongolia, Vietnam, South Korea, Sri Lanka, and Bangladesh. Highlights included an upcoming IAA Fund Seminar in Mongolia in mid-November; brainstorming ways to help Vietnam set up an actuarial association; a report from an AWB representative who had recently served as an educator in South Korea; and agreeing on follow-up discussions with Sri Lanka and Bangladesh.

Another topic of conversation was events that the subcommittee could host at the IAA Colloquium in Hong Kong in May 2012.

Enterprise and Financial Risk

David Ingram, Chairperson

The EFRC meeting in Zagreb was mainly informative and organizational. Since the last meeting, several committee members have collaborated with the International Monetary Fund on two projects: a paper comparing Solvency II with Basel III, and a workshop on insurance industry stress testing. Organization of the committee's activities arising from last year's Enterprise Risk Management (ERM) task force report continued. Groups of committee members are starting to organize participation in and initiation of research projects relating to ERM, including a possible update to the 2008 ERM Note; any needed efforts on continuing and basic education regarding ERM; and on promotion of the profession. For that last effort, a small group is moving forward with a project to produce a study of the status of development of the profession and the marketplace for as many countries possible with regard to ERM.

In addition, the EFRC is participating with the Insurance Regulation Committee in the formation of a joint working group on Own Risk and Solvency Assessment (ORSA), a new regulatory thrust that will





have global repercussions via the recently finalized IAIS Insurance Core Principles.

Insurance Accounting

Sam Gutterman, Chairperson

The meeting was chaired by Co-Vice-Chair David Congram. The committee learned of a further delay of the new IFRS Insurance Contracts, now expected to be released in the first half of 2012. The IASB has called for a review of its overall agenda and we plan to comment. The Insurance Contracts Standard is a joint project with FASB. The committee decided to advise the IASB that the IAA strongly encourages adoption of a single worldwide insurance standard. To support this effort, we plan to review the current differences in views of the two Boards to determine if there is consensus for the IAA to propose compromises. However, whether or not the two Boards reach an agreement, the IASB should nevertheless move forward and bring consistent insurance reporting to more than 100 countries currently reporting under IFRS.

Francis Ruygt will assume the role of Chairperson on January 1, replacing Sam Gutterman, who is retiring from this position after several years of dedicated leadership. The committee unanimously adopted a motion to thank Sam for his invaluable contribution throughout the years.

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

David Congram, Francis Ruygt, Co-Chairpersons

The subcommittee continued its blistering pace of building educational material for actuaries practising in the international insurance financial reporting field.

The stochastic monograph continues to get great reviews with a number of symposia featuring the book. The Secretariat has had to call for a reprint.

A full draft of the Discount Monograph was reviewed. The feedback received by the authors is that key areas in the draft need updating before it moves to public exposure, hopefully before year-end. The

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authors are quickly moving forward to address the topics of non-life, pension case studies, participation, and liability cash flows with the next version.

The subcommittee was encouraged by the number of excellent responses to the RFP on the topic of risk adjustment. The decision process regarding selection of an author team is moving through the various stages and is expected to be completed before year-end.

Insurance Regulation

Toshihiro Kawano, Chairperson

The committee discussed the latest draft paper on the role of the actuary in systemic risk regulation. Action plans include the receipt of comments from members by the end of October. A small group of the IRC will restructure the paper by the end of December 2011 for final review. The committee discussed the role of the Chief Risk Officer and actuarial function in ComFrame of the International Association of Insurance Supervisors (IAIS). The topics relating to the Insurance Core Principles, Financial Stability Committee and Macprudential Policy and Surveillance Working Group of the



IAIS were reported. Updates on the US Solvency Modernization Initiative were also presented.

ComFrame Task Force (of the Insurance Regulation Committee)

David Sandberg, Chairperson

The task force discussed the IMF Working Paper on Possible Unintended Consequences of Basel III and Solvency II. It also discussed the IAA's contribution to the next IAIS meeting in November. The task force will focus on risk management and governance issues and prepare questions for supervisors when considering the Own Risk and Solvency Assessment (ORSA).

Solvency Subcommittee (of the Insurance Regulation Committee)

Henk van Broekhoven, Chairperson

The subcommittee discussed the stress/scenario testing paper, now close to being final. Following final comments and revisions, the approval process will begin and the document will be published as an educational committee paper. Revisions to the



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report on Global Framework for Insurer Solvency Assessment (Blue Book) are also being considered. The subcommittee is contemplating producing two new papers: concentration and dependency of risk, and the risk of solvency rules.

Reinsurance Subcommittee (of the Insurance Regulation Committee)

Michael Eves, Chairperson

The subcommittee discussed the latest draft paper on the role of the actuary in systemic risk regulation from a reinsurance perspective, in particular the implication of the IASB Insurance Contracts project on reinsurance. Further work identified was the issue of non-proportional reinsurance, which did not fit well into the standardized approach.

Own Risk and Solvency Assessment (ORSA) Working Group (of the Insurance Regulation Committee)

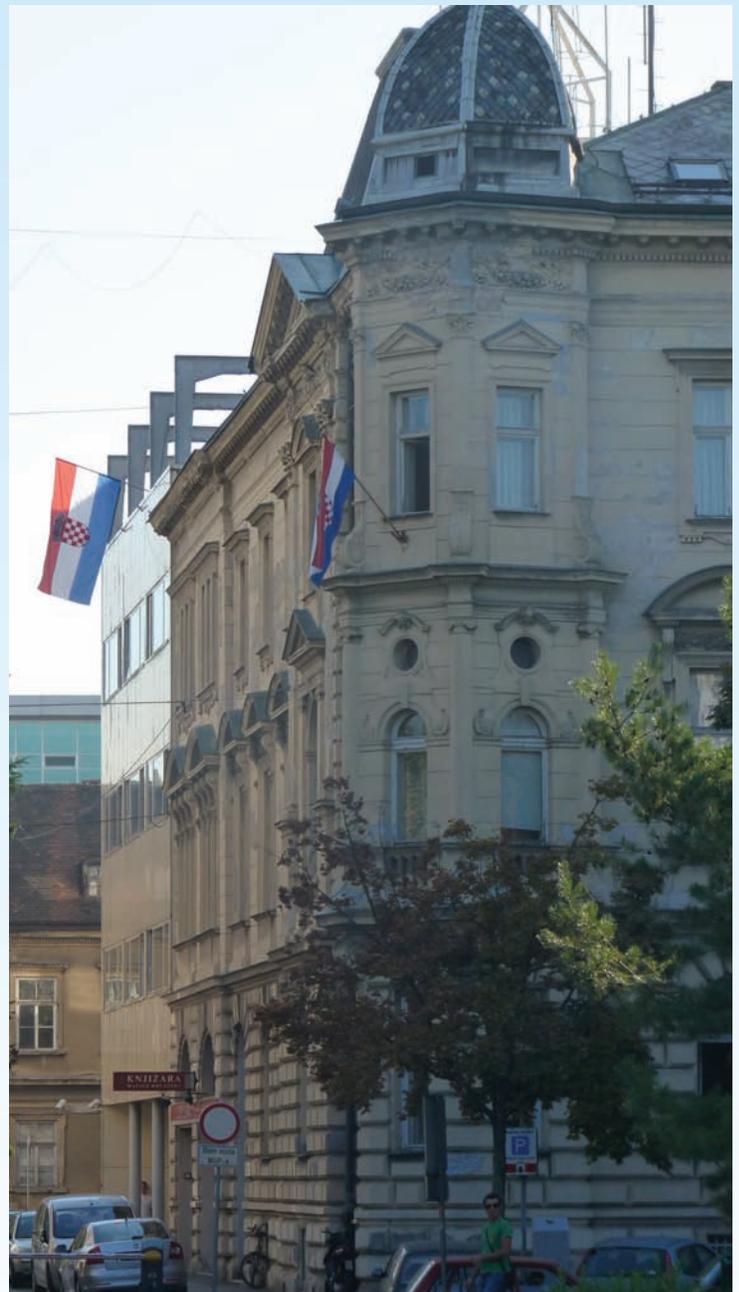
Henk van Broekhoven, Lars Pralle, Co-Chairpersons

The ORSA Working Group, a joint WG established under the Insurance Regulation and Enterprise and Financial Risk Committees, participated in its first face-to-face meeting. It considered how ORSA fits into Solvency II as well as in the US environment. The WG discussed setting up an information site on the IAA website. The first priority is to agree a general description of ORSA and to define its scope.

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

Dave Pelletier, Chairperson

The subcommittee's meeting was very productive. One item under discussion was the development



of a statement of objectives for the International Standards of Actuarial Practice (ISAPs) which, after much prior work — particularly by Al Beer, Andrew Chamberlain, Tom Karp, and Godfrey Perrott —



and final tweaking, was approved (and later presented to Council to be voted on formally in the coming months). Procedures for publishing and reacting to comments received on exposure drafts were approved, an important step as the comment deadline for the exposure draft of ISAP 1 on general actuarial practice, prepared by the General Task Force chaired by Godfrey Perrott, is December 1, 2011.

The subcommittee received updates from associated task forces established to develop standards within the practice areas, particularly the IAS 19 Task Force chaired by Irene Paterson, which has done extensive work on identifying where guidance would be useful and considering what form it should take (International Actuarial Notes or ISAPs, and also as stand-alone items or done in part as a “common IFRS” note or standard with the insurance practice area). The IASSC was also pleased to see Council’s approval of the Statement of Intent for a social security valuation standard being drafted by the task force chaired by Rob Brown.

Mortality Working Group

Martin Stevenson, Chairperson

During the meetings, there were a number of presentations and papers, including:

- Life assurance underwriting in the USA;
- Annuity underwriting in the UK;
- Uncertainty in modelling mortality;
- The Society of Actuaries tables manager;
- The Society of Actuaries International Experience Study;
- Healthy longevity;
- The mortality of disabled people;
- The Cass study on mortality assumptions in pensions reserving; and
- Projecting mortality in Slovenia.

It has been agreed to populate the website with all the papers produced by the MWG that are still relevant, and to include under each main subject area references to key websites and papers produced by others.

The target is for the website to be operational well

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in advance of the IAA meetings in May 2012, and then to ask member associations to contribute to improving its coverage and to publicize its availability.

Pensions and Employee Benefits Committee

Gary Hibbard, Chairperson

The committee meetings in Zagreb were well attended with a range of successful discussions. Florian Léger of the International Social Security Association was also in attendance.

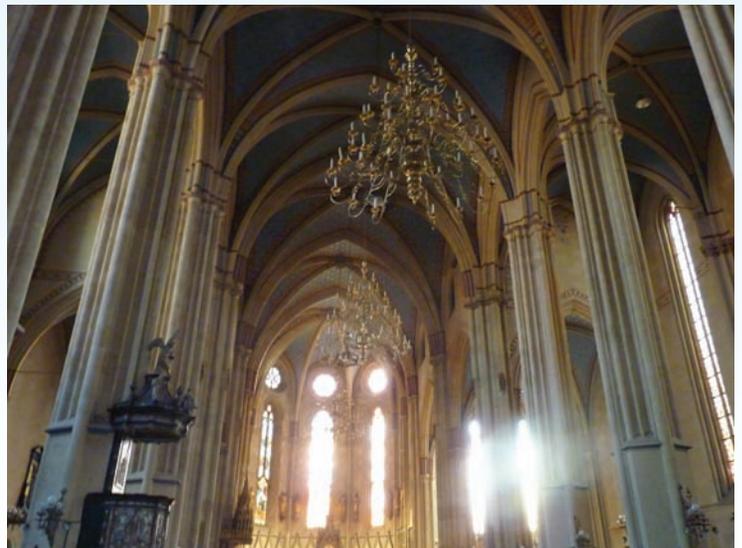
Practical issues arising from the implementation of the new IAS19 were highlighted. In addition to emerging practice on disclosure of key risks, changes to the accounting of termination benefits were providing unexpected consequences in countries such as Mexico, where it is not uncommon for employees to exit under mutually agreed terms with payment of termination benefits. However, a strict reading of the new IAS19 would preclude holding a reserve for such benefits. The committee considered the IAA's response to the IASB Agenda Consultation discussing the IASB's priority projects over the next three years and how the IAA can prepare for a fundamental review of IAS19.

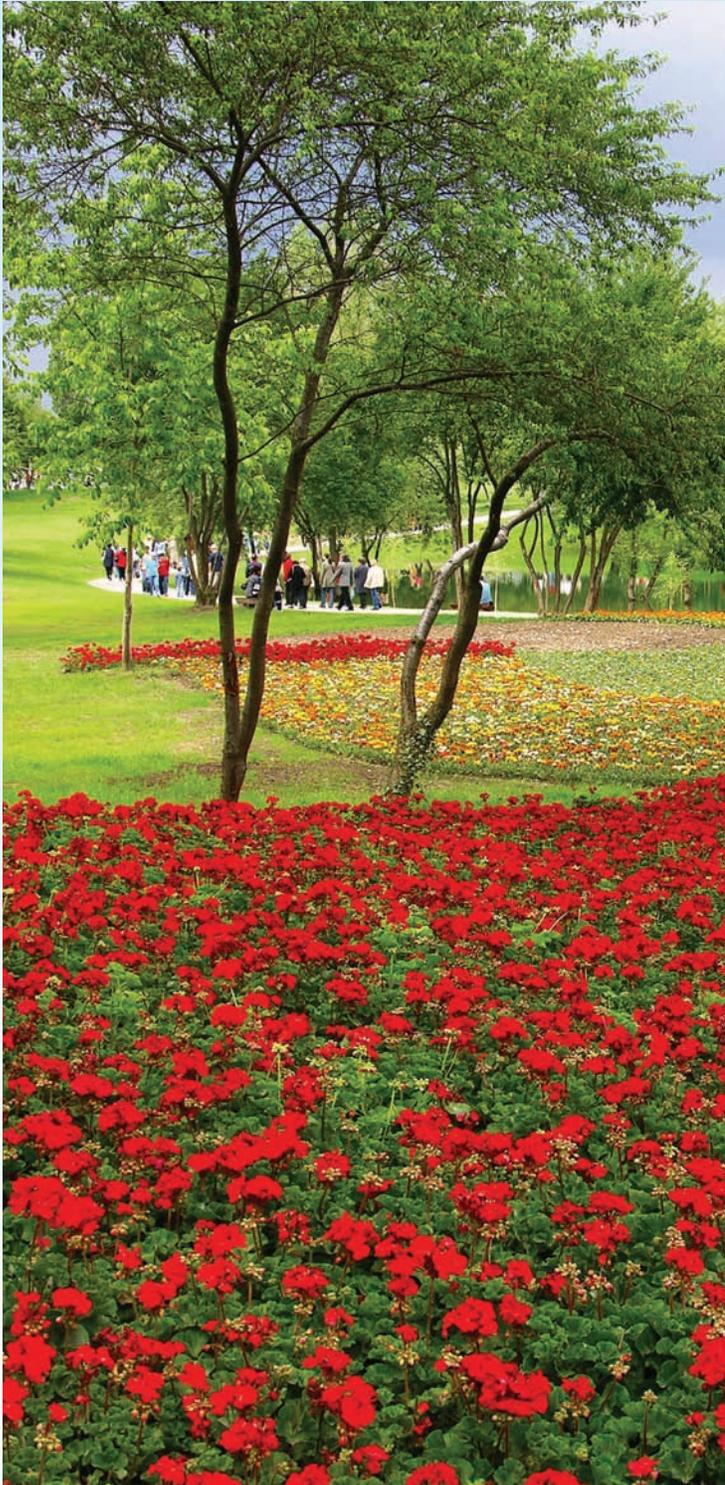
The committee discussed the latest draft of the IAA Educational Monograph on Discount Rates used in financial reporting work. The focus was on different case studies that apply and to illustrate the techniques set out in the main section of the monograph. Another topic of discussion was an excellent paper produced by the Canadian Institute of Actuaries which discussed how to frame a discount rate based on high-quality corporate bond yields in a market that could be considered to be partially deep.

A paper written by Guillermo Ezcurra López de

la Gama and Gary Hibbard on similarities and differences between insurance and pensions based on inputs by committee members in 19 countries was also discussed. The paper was particularly timely given the developments in Europe on the possible application of Solvency II for insurance companies to pensions, under a forthcoming consultation by the European Insurance and Occupational Pensions Authority (EIOPA). Further views of non-European members on the issues raised in the EIOPA consultation are welcome.

Esko Kivisaari and Irene Paterson took the committee through the findings of the Interim Actuarial Standards Subcommittee and the work of the IAS19 task force. The IAS 19 task force has decided not to move forward at this time with recommending a specific standard on IAS19, but instead to understand whether educational material around the key topics identified would be more practical. If your association has produced educational or guidance material on IAS19 work, the IAS19 Task Force would be pleased to hear from you.





Tom Terry discussed recent developments in Enterprise Risk Management and ongoing discussions with the IMF on its paper on stress testing of funding of defined benefit plans. Denis Plouffe outlined recent federal authority guidelines on the stress testing of Canadian pension funds.

Esko updated the committee on work jointly undertaken by the OECD and IOPS on the decumulation phase of defined contribution plans. As discussed at the PBSS Colloquium in Edinburgh, the primary purpose of a pension plan is to provide for retirement and although investment in assets in the accumulation phase is an interesting area, it is merely the means to that end. The chairperson noted this was an ideal opportunity for member associations to support work in this key area through Esko's working party. There has also been contact with the World Bank, which has published a paper on variable annuities, the draft of which was commented on by the working party.

The world of pensions and benefits seems to become ever more complex. It has become a greater challenge to cover all pressing issues in the time allocated for meetings. However, in order to allow its members to gain from participating in other IAA committee meetings, it was agreed not to extend the time allocated to the face-to-face committee meeting, but to hold conference calls to debate topical issues and provide an opportunity for working party members who cannot attend the main meetings to discuss their work. The first such meeting will take place in January; the exact date and time will be advised shortly.

Professionalism Committee

Michael Pomery, Chairperson

The committee presented its report to Council

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in response to the priority action in the IAA Strategic Objectives “to achieve a common understanding of the meaning of professionalism”. The report recommends the adoption of three high-level “principles of professionalism” covering knowledge and expertise, values and behaviour, and professional accountability. It also contains a number of recommended actions to entrench these principles in the work of the IAA. Council supported issuing an electronic vote of Council to approve these recommendations.

The committee also presented a discussion paper to Council on the topic of the regulation and supervision of actuaries when carrying out cross-border actuarial work as well as when submitting a report in support of the Statement of Intent to develop an ISAP on the valuation of social security programs.

The meeting largely addressed issues relating to the development of model international standards of actuarial practice (ISAPs), including:

- Exposure Draft of ISAP1 on General Actuarial Practice;
- Statement of Intent to develop an ISAP on Valuation of Social Security Programs;
- Proposed final version of a new interim Due Process for the development of ISAPs; and
- An update on the work in progress of the Task Force on a Permanent Structure for International Actuarial Standards.

The committee is actively considering how it should best carry out its monitoring responsibilities under

the proposed new Due Process. The committee also expressed their thanks and appreciation to Michael Pomery for his leadership of the committee for the past four years. Peter Doyle will assume the Chair in 2012.

Social Security Committee

Junichi Sakamoto, Chairperson

Representatives from the committee participated in highly successful meetings in Geneva on September 22–23 with the International Social Security Association (ISSA), the International Labour Organization (ILO), the World Health Organization (WHO) and the UN Commission on Trade and Development (UNCTAD). The IAA and ISSA/ILO talked extensively about the new ISAP 4.

Other updates include:

- The ISAP 4 is currently being re-drafted;
- The final version of ISAP 1 will be complete after December 1—Rob Brown is Chairing the Drafting Task Force;
- Martin Lunnon and Bruce Schobel are working on a final draft of the Stochastic Projections Paper which will be submitted for approval as an internal position paper of the Social Security Committee;
- A report from Jean-Claude Ménard and the ISSA Technical Commission on Statistical, Actuarial and Financial Studies has been reviewed;
- Three surveys are being carried out, all of which are important to the IAA;
- The IAA will plan to have a representative at the ISSA meeting in Berlin, May 31/June 1, 2012;





Supranational Relations Subcommittee (SRSC) (of the Executive Committee)

Ken Buffin, Chairperson

The subcommittee discussed the Joint IAA/IMF Workshop on Insurance Industry Stress Testing held in Washington on September 8. It also received a briefing on the Joint IAA/ILO/ISSA/WHO Discussion Forum on Social Security and related topics held in Geneva on September 22, as well as updates on recent activities with the United Nations, World Bank, InterAmerican Development Bank, Asian Development Bank, UN Commission on Trade and Development, and the Organization for Economic Cooperation and Development.

Task Force on a Permanent Structure for International Actuarial Standards (of the Executive Committee)

Paul Thornton, Chairperson

The task force presented a progress report to the Professionalism Committee and to Council. This included proposals for the “vision” for International Standards of Actuarial Practice (ISAPs) and for Due Process, along with an analysis of the structure of four actuarial and one non-actuarial standard-setting body, and initial ideas on the needs and involvement of internal and external stakeholders.

Next steps include a discussion paper and survey questionnaire to seek feedback from member associations.

The task force was encouraged to continue its work, whilst views were expressed that it would be desirable to see one or two ISAPs produced under the current interim arrangements before Council is asked to make decisions on a permanent structure.

- Liaison will continue with the Inter-American Development Bank—Ken Buffin and Rob Brown will be the points of contact;
- A task force, chaired by Junichi Sakamoto, has been formed to respond to the IMF Paper: A Fiscal Indicator for Assessing First and Second Pillar Reform; and
- Joe Applebaum has been monitoring the evolution of the IAA educational monograph on discount rates, to determine if it has an impact on social security systems. Joe reported that it is clear that the material applies to life insurance, non-life, and pensions only.

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IACA Section

Ken Buffin, Chairman

The IACA Section and APACA will participate with PBSS and IAAHS in a Colloquium to be hosted by the Actuarial Society of Hong Kong in Hong Kong on May 6–9, 2012. At its meeting in Zagreb, the IACA Committee discussed progress with the program for the Colloquium and agreed on future marketing and other activities for the next six months. The program will cover all actuarial practice areas and is expected to attract a strong attendance both globally and within the Asia Pacific region.

AWB

Shirazali Jetha, Chairman

The AWB Section Committee had a very productive meeting, attended by a few invited guests. The

Committee revisited the AWB's strategy established established two years ago to see if it was still relevant. The invited guests, some of whom work in the very markets AWB is trying to serve, provided valuable input. Based on this, AWB is refining its direction and priorities going forward.

In addition to the Committee meeting, a smaller group of committee members met with and obtained input from the IAA leadership on the work of the Section. This too will be incorporated into future activities.

Next Meetings

The next meetings of the IAA Council and Committees will take place at the JW Marriott Los Angeles at L.A. LIVE Hotel in Los Angeles, United States, from May 22 to 26, 2012. The meeting program will be available by the end of 2011.