

Address by Immediate Past President Paul Thornton to the annual conference of the DAV (German Actuarial Association), April 28, 2011 – Berlin, Germany

Guten Morgen Herr Präsident, meine Damen und Herren,

Thank you for the invitation to join you and it is a pleasure to speak to you on behalf of the International Actuarial Association. I hope you will forgive me if I speak in English, I think it will go better than if I try to “sprechen deutsch”.

The IAA is an association of actuarial associations. There are 89 member associations and they contain about 55 thousand fully qualified actuaries. So it really is a very strong worldwide organization for the actuarial profession. The DAV is heavily involved, not least Kurt Wolfsdorf, who is the Chairman of the LIFE Section and a member of the Executive Committee, and on behalf of the International Actuarial Association and its officers I would like to thank you for your strong support!

The IAA has a strategic plan and a clear sense of purpose which has enabled it to make progress. It has clear strategic objectives and it has reformed the governance structure last year in order to make the pace of progress more rapid and the decision making more effective. The vision of the IAA for the worldwide actuarial profession is that it should be recognized worldwide as a major player in the decision making process in the financial services industry, in the area of social protection and in the management of risk, contributing to the well-being of society as a whole. As an organization the IAA itself has a mission, which is to represent the actuarial profession and promote its role, reputation and recognition in the international domain and to promote professionalism, develop education standards and encourage research, with the active involvement of all the member associations and the sections in the IAA, in order to address changing needs.

Now to give effect to that vision and that mission the strategic objectives which you can find on the IAA website in more detail cover five areas. The first one is a very high priority and it is to build relationships with key supranational organizations. Examples would be the International Accounting Standards Board, the International Association of Insurance Supervisors, the International Organization of Pension Supervisors, the World Bank and the IMF, and there is quite a long list. A lot of work is done to build relationships at the international level on behalf of the member associations. Secondly an objective is to encourage the development of the knowledge and skills of the actuaries and the actuarial profession in a world of changing needs. Thirdly – and I come back to this key strategic objective later – is to promote high standards of actuarial education and professionalism. In particular to establish, maintain and promote common standards of actuarial education and common principles of professional conduct and also to promote the development and issuance of actuarial standards in the jurisdictions of full member associations and the global convergence of actuarial standards. The fourth objective is “development”: it is to encourage the growth of the actuarial profession in developing countries and to assist small associations in less economically developed regions of the world to build an actuarial profession. A major achievement in the last year has been the admission of the actuarial association of China into the IAA, which is the culmination of about 25 years of effort by the established actuarial associations to help the Chinese actuarial profession get started. And finally

a fifth key strategic objective is to encourage actuaries to meet and discuss and to share ideas. A good example of that – as your President has already mentioned – is that the German association is hosting the International Congress of Actuaries in 2018.

Coming back to the question of education I would like to say a few words about continuing professional development. I know that this is not the German name for it, but I know that this is coming up on your agenda shortly for an important discussion and vote. The IAA Education Committee has been working on this area of continuing professional development for some time and it has been elaborating some voluntary guidelines. Earlier versions have been in front of the Council before but there is a version – which again you can find on the website – which is going to go before the Council at its next meeting in September. And the intention is that Council would be asked to adopt them as formal guidelines issued by the IAA. A key point about these guidelines is that they are intended to be voluntary, but IAA member associations are recommended to create and implement a CPD strategy under which their members are encouraged or required to proactively address CPD needs. They do not go so far as to recommend mandatory CPD, because not all associations are quite ready for that, but they certainly encourage at least voluntary CPD.

The guidelines themselves are quite detailed, very helpful and include a lot of useful information and I am sure your own team here in Germany has studied them with great interest. I am not going to recite them at great length, but I would like to focus on a couple of the issues addressed in the document. The first one is the need for CPD. You might ask why such a fuss is being made about continuing professional development. There are really four key reasons. One is that the world is changing. We have seen big changes as a result of the global financial crisis. We have seen big changes in mortality and longevity. And the world is not standing still, actuaries need to keep up. At the individual level the ability to complete continuing professional development programs is clearly of value to the individual in terms of helping career progression and improving the market value of the individual actuary. In addition we owe it to the clients and users of actuarial advice and our employers to be at the cutting edge of our profession. And last but not least I think it is absolutely crucial to the credibility of the profession when we are stepping up to worldwide organizations like the World Bank and the IMF, that they can have full confidence in the professionalism and intellectual contribution of the actuarial profession.

The second point is the discussion in the guidelines about the amount of CPD, ie how many hours per year. A minimum of 15 hours is proposed but that would now be seen as an absolute minimum. In 2006 there was a survey of the IAA member associations and then a more recent one in 2011, and there was a big shift between the two. In 2006 the survey was presented at the International Congress in Paris and of the 47 associations that completed the survey about half had some form of CPD requirements – it did include most of the largest associations but not all of them. Germany was included as having CPD requirements on a voluntary basis. Since then the 8 largest member associations (and I mention this because they are in the same size category as the DAV within the IAA) all now have CPD requirements. And at that time the typical minimum number of hours per year in the associations that had requirements was 15 hours.

But moving forward five years the second survey was carried out at the latest IAA meetings in April in Sydney. Of 25 associations represented in a meeting of presidents of associations, 22 had mandatory CPD. Of the remaining three, two of them were developing mandatory CPD, so

shortly there will be 24 out of 25. Of the 22 with mandatory CPD, 10 of them required 15 to 30 hours per year and 8 required 30 to 50 hours. So the typical period of CPD required in these programs has moved up quite considerably over the last five years.

Well, it is not my role to persuade you that it is a good thing to have mandatory CPD; I will leave that to others today. But it is my role to paint the international picture so that you can see that by having this debate today you are coming into a line with other major actuarial associations.

I wish you well in your deliberations.

Vielen Dank.