



21st Annual Caribbean Actuarial Association Conference

Luncheon Speech – Thursday, 1 December 2011

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Thank you for your kind introduction.

President Lyn, President Elect Dingwall, honoured guests and dear colleagues - I am privileged to represent the International Actuarial Association - the IAA – at the 21st Caribbean Actuarial Association Conference but I also come as a former Chair of the US Actuarial Standards Board. We are extremely pleased and honored that we continue to be able to work with the Caribbean Actuarial Association as an IAA Full Member Association. I also bring you greetings and best wishes from the Officers and past presidents of the IAA.

On behalf of the IAA, I offer my congratulations and sincere thanks to all those whose efforts made this Conference possible - to the distinguished speakers and to all of you who have accepted the invitation of the organizers of this Conference and responded in a timely manner to the challenges of strategic importance to actuaries, both nationally and internationally.

I have chosen as the title for my presentation 'The IAA and the Importance of Standards and Professionalism'. I also plan to give a brief overview of the IAA structure and activities. I hope to leave some time for questions as well. Over the last year, I have had the opportunity to attend several conferences/meetings representing the IAA. A recurring theme has been related to emerging risks and daring solutions converging around the Global Economic Crisis of the last 4 years with titles like, 'Beyond the Mandate' and 'Venture into Uncertainty, Capture Opportunities'. The whole world is moving faster and faster. Events from one region are having more and more impact on elsewhere in the World. Everything seems to be interconnected. Tally up the impacts mentioned in the news since the catastrophic events in Japan or the recent hurricane Irene and resulting floods in the Northeast United States. How have those events affected your actuarial/insurance assumptions and work projects? It seems that there are new risks emerging at every turn. Perhaps these risks have always been there but their importance is growing. Such risks call for daring solutions, solutions that are perhaps beyond our normal mandate, which was a theme in Australia for their Biennial Convention. Who is in a better position to address these risks through developing daring, creative and innovative solutions than actuaries? The nature of actuaries' training prepares them to go beyond the mandate. The Caribbean is in need of actuaries who are well trained and educated. Conferences such as this help expand that knowledge by bringing actuaries together to network and learn, but in addition it allows you to 'Tailor Actuarial Practice to Caribbean Reality', the theme of this Conference.

As the actuarial profession across the region continues to grow, challenges to actuaries are manifested. Interacting with actuaries at the international level provides a mechanism for knowledge and experience transfer. However, while actuaries here can learn from the experience of those in older associations, not all that knowledge can be directly applied here. The biggest challenge to actuaries in the Caribbean is to evaluate what practices will work best in the region and each country. There are things you can learn from actuaries in other countries, but the actuarial profession worldwide needs to also hear from you so that international standards and practice reflect the importance of the whole region. Gatherings such as this one can help facilitate the development of the local and regional points of view as well as promote those views outside the region.

Why reinvent the wheel if it has already been invented somewhere else? Why let other professionals push their way into the actuaries' practice areas? There are things actuaries can learn from actuaries in other countries, but the actuarial profession worldwide needs to enter into conversations so that such things as international standards and practice reflect the established approaches present in some regions of the World while helping some regions and countries to adopt and implement standards and practices. Welcome and congratulations again for a great Conference. Thanks again for inviting me. Let us move on to my main presentation.

Turning to the IAA, as you may be aware, the IAA is the worldwide association of actuarial associations. Together with the support of our member associations, we work towards *"moving the actuarial profession forward internationally."* We look forward to the continued contributions of all actuaries to our common goal in this part of the world.

The IAA is a not-for-profit and non-political, non-governmental organization with its Secretariat in Ottawa, Canada. There are currently 63 full member associations plus 26 associate member associations. I am pleased to mention our newest full member association is the China Association of Actuaries. Some of you attended the IAA Council and Committee meetings in Sydney in April and some may have attended the recent meetings in Zagreb, Croatia. There are also 5 institutional members of the IAA: the International Association of Insurance Supervisors (IAIS), the International Social Security Association (ISSA), the International Organization of Pension Supervisors (IOPS), the International Accounting Standards Board (IASB) and the Organization of Economic Cooperation and Development (OECD). We also have one Observer Member: the Asian Development Bank (ADB). Virtually all fully qualified actuaries around the world are represented in the IAA through their home association so that the IAA full member associations comprise over 60,000 qualified actuaries from nearly 100 countries, to which should be added a significant number of actuaries from Associate Member associations. The IAA serves its members through seven Sections covering various areas of practice as well as a number of Committees, Subcommittees, Working Groups and Task Forces.

The IAA is celebrating its thirteenth anniversary this year of its restructure as an association of associations but its origins date back to 1896. Even though we are still relatively young in our current form, we continue to evolve in our efforts to achieve our strategic objectives. In particular, over the last couple of years we have made significant changes to our governance structure to better serve and recognize our member associations as well as to be more nimble and quicker to act.

The Vision of the IAA is shown on the screen. The actuarial profession is recognized worldwide as a major player in the decision-making process within 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.

Mission of the IAA

The mission of the IAA, as the worldwide organization of actuarial associations, 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 its Member Associations and Sections, in order to address changing needs.

During 2010, we adopted five strategic objectives with particular attention placed on Supranational Outreach and Actuarial Standards. **Strategic Objective 1** deals with Supranational Relations.

Strategic Objective 2 deals with expanding the actuarial profession.

Strategic Objective 3 deals with education, professionalism and standards.

With respect to Actuarial Standards, a Task Force set up to address the strategic goals of the IAA for international actuarial standards recommended a goal of “medium convergence”. This means that model International Actuarial Standards of Practice should be developed for Member Associations to adopt, adapt or confirm congruence with, on a voluntary basis over the foreseeable future. This was agreed to by Council in October 2010 but more on that in a second.

Strategic Objective 4 is directed at promoting the profession in developing areas.

Strategic Objective 5 involves providing a forum for discussion – much like this conference.

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An interim structure has been introduced in 2011 to develop model ISAP's for IFRS4, IAS19, Social Security calculations and for work in ERM, together with a Generic ISAP (perhaps General or Basic would be a better term) to accompany them. This Generic ISAP will be the first one produced under this structure as it will be the foundation for those that follow. It is important to note that several countries already have a standards' setting structure. Organizations do not have to have such to be a Full Member of the IAA, but if they do then there are certain requirements they must have in the development process. The IAA also hosts a Standard Setters Round Table, which includes the Board for Actuarial Standards in the UK, Actuarial Standards Board in the US and other actuarial standard setting bodies from around the world.

The IAA's work on professional standards including the new ISAPs and its feedback to the IASB and IAIS is critical. You, we, can influence that at the IAA but only if you, we participate and supply strong support from our member Fellows. As a former member and Chair of the US Actuarial Standards Board, I can certainly say that we need comments from you and others. We get extremely few comments on proposed standards and we need more; including other possible ISAPs currently on the list.

A more permanent standard setting structure is to be developed to replace the interim structure after 2012. Within the past few months, the Executive Committee set up a Task Force to progress this effort. That also includes developing a Due Process Procedure – Why should we develop a particular standard? A certain level of need and agreement needs to be present before a new standard is developed.

Why Standards?

Actuarial Standards of Practice identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The goal is to set standards for appropriate practice in the jurisdiction in which an actuary is practicing

When creating or revising a Standard of practice, a typical process involves:

- reviewing and evaluating current and emerging practices
- determining appropriate guidance
- publishing an exposure draft to obtain input from actuaries and other interested parties
- considering all comments received
- publishing a final standard or another exposure draft

Standards of practice serve to assure the public that actuaries are professionally accountable. At the same time, standards provide practicing actuaries with a basis for assuring that their work will conform to appropriate practices

Standards protect the public by:

- Indicating for various areas of actuarial practice the appropriate procedures, techniques, and approaches, thereby enhancing the public's trust in the credibility and completeness of the actuarial work product.
- Providing a means by which the many separate elements that make up actuarial practice can be reviewed and updated on a regular basis, so that practice remains current.
- Furnishing criteria for evaluating actuarial work products.
- Providing a basis for discipline in those instances in which standards are not adhered to.

For individual actuaries, standards confer major benefits as well, by:

- Providing guidance, particularly in practice areas that may be somewhat unfamiliar.
- Giving strong evidence to any interested observer that the profession serves the public in an effective and responsible way.
- Offering evidence of appropriate professional performance, which constitutes a defense in any civil or professional disciplinary action.

Standards of practice also serve to further assure regulatory authorities that they can depend on the actuarial profession to act effectively in the public interest. Written standards of practice, also coupled with written provisions for disciplining members, show that a profession governs itself and takes an active interest in protecting the public.

What Standards of Actuarial Practice aren't:

- A cookbook – professional judgment is required
- May be a bit slow to cover new, developing areas of practice – before a standard can be written the topic must reach a certain degree of maturity
- Best practice – best practice is in the eye of the beholder - It is the absolute high bar for a particular approach and in many cases cannot be agreed upon

2.1.6 If the association adopts standards of practice it must have in place a formal process for adoption which meets the following criteria. If a standards of practice process does not exist, but is subsequently implemented, it must meet the criteria when adopted. The criteria for an acceptable process for adoption of standards of practice are:

- a) The proposal to consider a possible standard follows an established process.
- b) The proposed standard is exposed to members, and where relevant, to third parties for comment.
- c) Comments on the exposure draft are considered.
- d) The standards are promulgated by an authority vested with such powers.
- e) The standards are published and dispatched to member practitioners.

2.1.5 The association must have a formal discipline process in place. The IAA Discipline Requirements are that:

- a) There is a complaint process accessible to both anyone affected by a member's work and the member's professional peers.
- b) There is due process of defense available to the member complained against, and the member's rights are fully respected.
- c) There is an objective formal appeal process independent of the body that has ruled at the prior level.
- d) There are available sanctions appropriate to the level of the offences committed, including termination of membership in the association.
- e) The process shall enable the association to give appropriate publicity to results of the complaint process where any penalty is imposed, including the right to provide information to other actuarial associations. Any publicity shall be consistent with the discipline process.

Education and Professionalism - CPD

I can't finish this part of my presentation without mentioning Education and Professionalism - CPD. The Education Syllabus was one of the first products of the IAA committees. I am very proud to have been Chair of that Committee while that syllabus was established. Full Member Associations must have an education requirement that meets the guidelines. It is also recommended but not required that they have a CPD strategy. It need not be mandatory at this time but they are encouraged to promote CPD.

Mandate to Professionalism Committee

- The IAA Council requested the Professionalism Committee to address the strategic action required to “Achieve a common understanding of the principles of professionalism, including codes of conduct and disciplinary procedures.”

Key Conclusions

- A common understanding of the principles of professionalism (the “Principles”) is possible.
- Professionalism covers the actuary’s technical competence and skills, ethical behavior and professional oversight.
- Aspects of professionalism should be introduced throughout the training and development of an actuary.

Definition of Professionalism

- Professionalism means:
 - The application of specialist actuarial knowledge and expertise;
 - The demonstration of ethical behavior, especially in doing actuarial work; and
 - The actuary’s accountability to a professional actuarial association or similar professional oversight organization.

The Principles of Professionalism

- Knowledge & expertise
- Values & behavior
- Professional accountability

Principle A

- Knowledge & expertise:
 - *“An actuary shall perform professional services only if competent and appropriately experienced to do so.”*

Principle B

- Values & behavior:
 - *“An actuary shall act honestly, with integrity and competence, and in a manner that fulfills the profession’s responsibility to the public and upholds the reputation of the actuarial profession.”*

Principle C

- Professional accountability:
 - *“An actuary shall be accountable to a professional actuarial association or similar professional oversight organization.”*

Supporting Elements

- Each of these three high-level principles are further supported by several elements which are discussed in the report.
- While the principles and supporting elements were widely supported, the development of the principles stimulated some interesting issues for discussion.
- The outcome of these discussions is captured in the reports.

The report which I strongly encourage you to read recommended that the IAA adopt the Principles as proposed and that the Principles should be used within the IAA to establish a common terminology and framework. The Committee did not recommend that the IAA develop a model code of conduct. They felt that the proposed Principles are a sufficient basis from which Full Member Associations can develop their own codes of conduct. The process and experience of developing its own code of conduct is also an informative and valuable process for any FMA. Some other recommendations were included as well.

Again, I encourage everyone to look at these reports.

I congratulate the organizers for having done a terrific job of putting this annual conference together!

In closing, please let me emphasize that this conference will be more successful if everyone participates in it.

Have a great congress! You may want to review the five strategic objectives or our upcoming meetings and events and I will encourage you to go out to the website, www.actuaries.org, click on the tab 'About the IAA' and then on the 'read more' and you can review those objectives. Thank you for being here and for your attention.