



International Actuarial Association (IAA)

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Moving the profession forward internationally

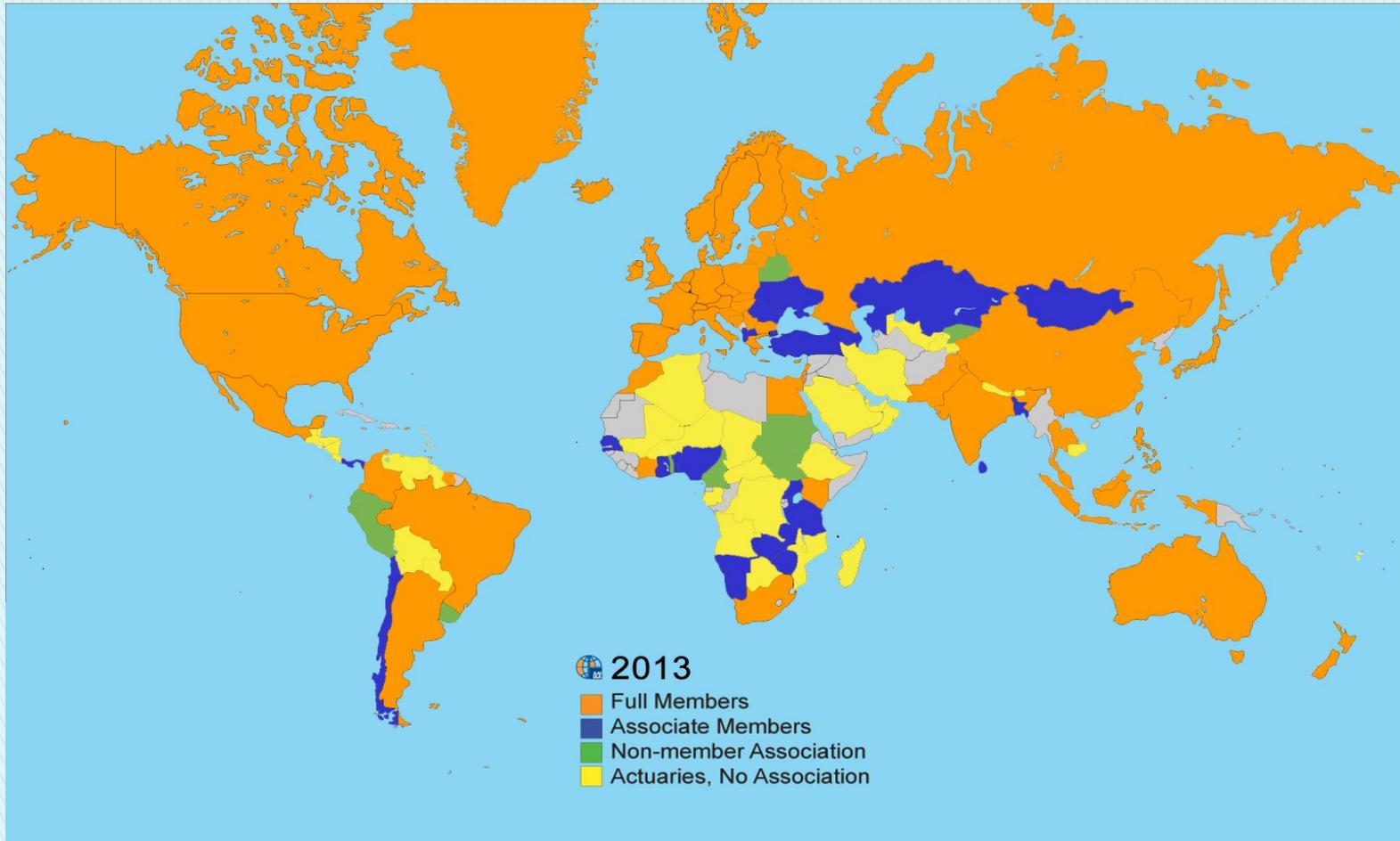
About the IAA

- ▶ Worldwide association of professional actuarial associations
 - 65 Full and 28 Associate Member associations representing approximately 60,000 actuaries in more than 108 countries
- ▶ 7 special interest Sections for individual actuaries
- ▶ Over 750 volunteer actuaries (Council, Committees, Sections) and 10 staff
- ▶ Based in Ottawa, Canada – constituted in Switzerland
- ▶ Exists to encourage development of a global profession, acknowledged as technically competent and professionally reliable, which will ensure that the public interest is served

Criteria for maintaining Full Membership status

- ▶ Must not act in a manner that is prejudicial to the aims or interests of IAA
- ▶ Must have an **education programme** compliant with IAA Education Guidelines Syllabus
- ▶ Must have a **code of conduct** which must be consistent with certain principles
- ▶ Must have a **formal disciplinary procedure**, including procedures for initiation of complaints, due process of defence and appeal
- ▶ If FMAs adopt **standards**, they must have a **formal process** to do so

Map of the IAA 2013



About actuaries

- ▶ Fulfill many roles in a broad range of environments, including:
 - insurance companies
 - health organizations
 - pension plans
 - risk management
 - government, regulatory regimes
 - banking and analytics
- ▶ Employed by universities, companies, plans and by consulting firms, including major auditing firms

About actuaries *(cont'd)*

- ▶ Have a detailed understanding of economic, financial, demographic and insurance risks, and expertise in:
 - developing and using statistical and financial models to inform financial decisions
 - pricing, provisioning and setting capital requirements for uncertain future events

Work primarily in fields of:

- life insurance
- pension plans and other employee benefits
- health care financing
- general (property and casualty) insurance
- enterprise risk management (elaborated on in next slide)
- investments
- banking and corporate finance
- social security, government, regulatory regimes
 - **but not limited to those areas**

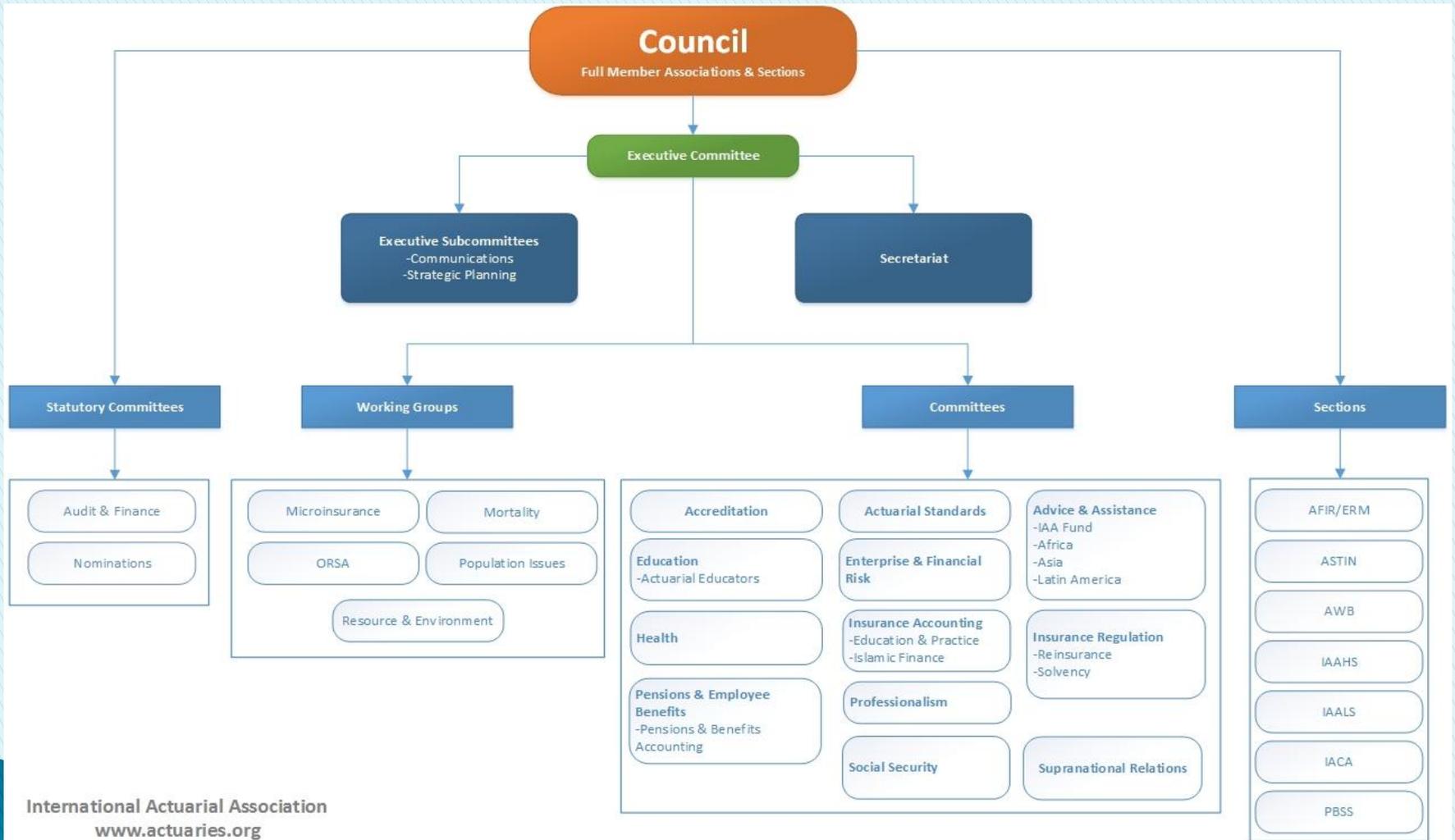
CERA - the Enterprise Risk Management (ERM) credential

- ▶ most comprehensive and rigorous globally-recognised Enterprise Risk Management designation
- ▶ supported by 16 member associations in 15 countries, including many of the major economies

How we are organized

- ▶ Council
 - Main decision body
 - Full Member associations and Sections entitled to one Delegate each
- ▶ Officers: President, President-Elect, Immediate Past President
 - elected by Council; 1 year terms
- ▶ Executive Committee: Officers and 8 members at large
 - elected by Council; geographical representation; no explicit goal regarding practice area or type of employment
- ▶ Strive for diversity: cultural, linguistic, gender, geographical

Organization Chart



IAA Strategy

- ▶ Vision
- ▶ Mission
- ▶ Values
- ▶ Subsidiarity
- ▶ Strategic Objectives

Vision

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

- ▶ To represent the **actuarial profession** and promote its **role, reputation** and **recognition** in the **international** domain.
- ▶ 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.

Values

- ▶ Integrity
- ▶ Accountability
- ▶ Transparency
- ▶ Objectivity when dealing with Member Associations, other stakeholders and the public

IAA Strategic Objectives

1. Build relationships with key supranational organizations
2. Help enhance the scope, availability, and quality of actuarial services
3. Common standards of actuarial education; common principles of professional conduct; global convergence of actuarial standards
4. Development of actuarial profession in areas of the world in which it is not present or is not fully developed
5. Provide a forum for discussion among actuaries and actuarial associations throughout the world
6. Improve recognition of the actuarial profession among external audiences – global branding

PRIORITY: Strategic Objective 1

- ▶ Relationships with key supranational audiences
- ▶ Provide actuarial input to improve the soundness of decisions being made on important issues with a global impact

International Co-Operation

- ▶ 5 Institutional Members - Have engaged in Memorandum of Understanding with each of them
 - International Accounting Standards Board
 - International Association of Insurance Supervisors
 - International Organization of Pension Supervisors
 - International Social Security Association
 - Organization for Economic Co-Operation and Development
- ▶ 1 Observer Member
 - Asian Development Bank

Other organizations we have contact with

- African Development Bank
- Inter-American Development Bank
- International Auditing and Assurance Standards Board
- International Federation of Accountants
- International Labour Organization
- International Monetary Fund
- International Valuation Standards Council
- Microinsurance Network
- United Nations and UN Commission on Trade and Development
- World Bank
- World Health Organization

Vision Statement for International Standards of Actuarial Practice (ISAPs)

adopted by Council September 2012

- The IAA's vision statement for ISAPs is that ISAPs are:
 - Widely accepted as a basis for convergence by local standard-setters and recognised by parties who rely on actuarial standards such as audit firms, IASB, IAIS, IOSCO and the local regulators.
 - Clear, logically structured, and unambiguous - in terms of applicability, scope, and requirements; well-suited for understanding by non-actuaries, and for translation into languages other than English.
 - Widely seen as contributing to the **public good**, by supporting the community's confidence in professional work produced by actuaries.
 - Drafted so as to apply to clearly defined areas of actuarial work, and it is clear in what circumstances they apply.
 - The quality and usefulness of ISAPs motivate IAA Full Member Associations (FMAs) to ensure that their members are fully aware of ISAPs under development or adopted.

Revised Due Process for ISAPs

adopted by Council January 2012

- provides governance and a high level of transparency
- allows the IAA to proactively identify the need for new ISAPs (or revision of existing ISAPs) and to respond rapidly when development (or revision) is approved
- properly balances the benefits of standards with the likely cost impact on users of actuarial services

Revised Due Process for ISAPs – *cont'd*

Our due process is such that

1. Users and end-users of actuarial services:

- have confidence that the due process ensures the quality and suitability of ISAPs
- understand and value the processes by which their views can be made known and will be responded to

2. FMAs, standard-setters, other interested parties:

- recognise the value of ISAPs
- be fully engaged where appropriate in the development process

3. Actuaries:

- have confidence that ISAPs have been prepared by competent people who understand actuarial work and the commercial and professional framework in which they will be applied

Strategic Action Plan for ISAPs

adopted by Council August 2013

- ▶ Developed and maintained by Executive Committee
- ▶ Approved by Council
- ▶ Welcome proposals for ISAPs from IAIS
- ▶ Proposals should outline the scope of the proposed ISAP and describe the rationale for the ISAP

Criteria for topics to be considered for ISAPs

- ▶ Will serve the public interest or good
- ▶ Are in a recognized or emerging area of actuarial practice
- ▶ There is an expectation that a sufficient number of FMAs or standard setters will find the ISAP useful
- ▶ Need to justify the work involved in producing the ISAP

International Standards of Actuarial Practice (ISAPs)

- ▶ ISAP 1 – General Actuarial Practice (adopted November 2012)
 - general standard will apply to all actuarial services performed by an actuary except for those elements of guidance explicitly superseded by another standard such as a practice-specific standard or by law
- ▶ ISAP 2 – Social Security (adopted October 2013)
 - intended to apply to actuaries who are performing, reviewing, advising on, or opining on financial analyses of social security programs

International Standards of Actuarial Practice *(cont'd)*

- ▶ ISAP 3 on actuarial services in respect of IAS 19: exposure draft October 2013 (expected final adoption in 2015)
 - provide guidance for actuaries providing actuarial services under IAS 19 to facilitate convergence in actuarial practice within and across jurisdictions
 - increase confidence in actuarial services provided under IAS 19

International Standards of Actuarial Practice *(cont'd)*

- ▶ ISAP 4 on actuarial services in respect of IFRS X: Insurance Contracts: draft Statement of Intent published November 2013; will be finalized by September 2014 (expected final adoption in 2017, prior to effective date of revised IFRS 4)
- ▶ ISAPs 5 and 6 on Enterprise Risk Management: draft Statement of Intent to be published in April 2014
- ▶ two ISAPs on actuarial advice with respect to:
 - Insurer enterprise risk models – those that are developed to comprehensively and consistently evaluate risks
 - Insurer ERM practices intended to comply with regulations consistent with ICP 8 or ICP 16

International Standards of Actuarial Practice *(cont'd)*

Consideration List

ISAP(s) on IAIS's Proposed Basic Capital Requirement and Insurance Capital Standard

- ▶ To be voted on by Council for addition to list in April 2014

Other Actuarial Work of Interest

- ▶ **Stochastic Modeling (published 2010)** A guide for practitioners interested in understanding this important emerging field, *Stochastic Modeling — Theory and Reality from an Actuarial Perspective* presents the mathematical and statistical framework necessary to develop stochastic models in any setting (insurance or otherwise).
- ▶ **A Global Framework for Insurer Solvency Assessment - Blue Book (published 2004)** This publication has been prepared for the International Association of Insurance Supervisors (IAIS) to explore the elements needed for an international capital standard for insurers and to provide a “best practices” approach available to all supervisors. It deals with methods the supervisor might use to assess the current financial position as well as to understand the range of possible future financial positions of insurers. Its primary focus is on capital requirements for insurers.

Other Actuarial Work of Interest *(cont'd)*

- ▶ **Stress Testing and Scenario Analysis (2013)** This paper provides an actuarial perspective on scenario analysis and stress testing. As part of the analysis of risks to the financial condition of a firm, these methods are essential tools for effective risk management and macro prudential oversight. They can enhance the understanding by its stakeholders of the financial vulnerability of the firm
- ▶ **Actuarial Viewpoints on and Roles in Systemic Risk Regulation in Insurance Markets (2013)** The purpose of this paper is to provide actuaries with the background to address conditions and tools to identify, assess, monitor and mitigate systemic risks. The scope of this paper is limited to global insurance market operations and risks of systemic events in those markets. From the global context, a macro-prudential approach towards the regulation for systemic risk is assumed. The role of actuaries in assisting systemic risk regulators with respect to insurance markets is identified and discussed in a global market context.

Other Actuarial Work of Interest *(cont'd)*

- ▶ **Note on the Use of Internal Models for Risk and Capital Management Purposes by Insurers (2010)** This note provides educational material for those responsible for constructing, using and approving the use of models to assess and manage risk and capital within insurance enterprises (insurers). This material is also useful to those who rely upon the information derived from models, as an aid to understanding the derivation, uses and limitations of this information. Internal models are primarily relied upon by boards of directors and senior management for strategic planning, regular monitoring of risk and managing an insurer's corporate capital. Internal models are also coming into use for determining regulatory required capital, usually subject to supervisory approval based upon satisfaction of specific conditions required by the supervisor.
- ▶ **Financial stability, systemic risk & macroprudential supervision: an actuarial perspective (2010)**
- ▶ **Dealing with Predictable Irrationality – Actuarial Ideas to Strengthen Global Financial Risk Management (2009)**

Other Actuarial Work of Interest *(cont'd)*

Professionalism and Standards Task Force of Regulated Professions and Industries – Task Force reporting to the G-20 on Regulatory Convergence

The IAA continues its active participation in the work of a joint task force reporting to the G-20 on regulatory convergence, working alongside the following organisations:

- ▶ International Federation of Accountants (IFAC)
- ▶ Institute of International Finance (IIF)
- ▶ International Accounting Standards Board (IASB)
- ▶ International Corporate Governance Network (ICGN)
- ▶ International Valuation Standards Council (IVSC)
- ▶ International Insurance Society (IIS)
- ▶ CFA Institute (CFAI)
- ▶ INSOL International

The task force was established in May 2011 at the request of the Presidency of the G-20, to provide the G-20 with an analysis of the development of financial policy and regulation to facilitate economic stability in the world's capital markets, focusing particularly on issues of regulatory convergence.

History of IAA/IMF Collaboration

- ▶ January 2013: Chairperson of IAA Supranational Relations Committee met with Senior Financial Sector Expert Su Hoong Chang and Financial Sector Expert Nobuyasu Sugimoto at IMF Offices

What next?

Thank you



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