

International Actuarial Association (IAA)



**Kurt Wolfsdorf, Immediate Past President
Presentation to CONAC
October 15, 2014—Mexico City**

Recent Developments in the IAA



Value Proposition—discussed by Webinar, discussed by Presidents Forum and Council in London, to be submitted for approval by electronic ballot

Through the strength of all its member organizations, the IAA will:

- Globalize the actuarial profession
- Establish a global brand
- Promote to relevant key international organizations the important role the actuarial profession can play on the global financial front and demonstrate the relevance of the work of the actuary



Value Proposition cont'd

A solid reputation for the actuarial profession at the global level will benefit all member associations by providing:

- Emerging and new associations with the credibility required at local level to help gain support of local governments and regulators
- More established associations with a voice at the global level
- Assurance that public interest is a priority for the profession



Value Proposition cont'd

A global perspective for the actuarial profession is needed to meet the challenges of a globalized financial services industry environment. This will benefit all member associations, and their members, by:

- Facilitating international collaboration
- Establishing a common level of quality for education, standards and professionalism
- Supporting the development of the profession
- Facilitating relevant research
- Disseminating relevant information



Full Member Engagement Plan

The IAA relies on:

- FMA support
- FMA membership fees
- FMA volunteers

Benefits of the FMA Engagement Plan:

- FMAs derive clear benefits from membership
- The IAA enjoys the ongoing support of the FMAs including volunteer and financial support
- FMA volunteers themselves benefit professionally from their involvement
- Professional actuaries globally are better enabled to deliver a quality actuarial work product, and to expand their influence and their markets



Full Member Engagement Plan

Proposed Outline for Process

- Agree on objectives
- Map the territory
- Identify FMA stakeholders
- Design and co-develop engagement plan
- Engage FMAs
- Evaluate outcomes
- Learn from the engagement



Model International Standards of Actuarial Practice

- **ISAP 1—General Actuarial Practice:** since IAA adoption, Actuarial Association of Europe adopted it as its general standard
- **ISAP 3 on IAS 19 – Employee Benefits:** Proposed final ISAP issued for final review by FMAs/commenters; on Council agenda for approval in Zürich in 2015
- **ISAP [4] – IFRS X– Insurance Contracts:** Statement of intent (Sol) approved by Council on September 13; expect completion in 2017
- **ISAP [5] – Insurer Enterprise Risk Models:** Sol approved by Council on September 13; expect completion in 2016



Model Standards cont'd

- **ISAP [6] – Insurer ERM practices intended to comply with regulations consistent with ICP 8 or ICP 16:**
Statement of intent approved by Council on September 13; expect completion in 2016
- **ISAP [7] – “Current estimates” and other matters in relation to the IAIS capital standards:** ASC approval of proposed final Sol in September 2014; EC approval and initiation of Council e-vote for ratification October-November 2014; expect completion in 2017



Supranational Relations

- IAA hosted seminar in Basel led by the Insurance Regulation Committee—Extension of actuarial methods to better manage financial risks and regulatory requirements

18 representatives attended from:

- International Association of Insurance Supervisors
- Bank for International Settlements
- Financial Stability Institute
- Financial Stability Board



Supranational Relations cont'd

Program focused on:

- Actuarial methods to support the improved management of financial risks and developing regulatory requirements
 - Banking and insurance regulatory models and objectives
 - value of professional actuarial standards and IAA work on standards
- Similar seminar to be held in Zürich, in April, for non-actuaries in the banking and regulatory sectors



Supranational Relations cont'd

Financial Reporting Council (FRC)

Private meeting between IAA Officers and FRC Chair and Executive Director in London

International Accounting Standards Board

- Ian Mackintosh, Vice-Chairman, addressed IAA delegates at the recent Council and committee meetings in London
- Private meetings between IASB staff and IAA representatives

International Labour Organization

Continue to pursue Memorandum of Understanding



Supranational Relations cont'd

International Association of Insurance Supervisors (IAIS)

- IAIS Executive Committee Chairman Peter Braumüller guest speaker at London Council meeting
 - his term at IAIS ends this month
 - he will join IAA Actuarial Standards Committee in 2015)
- IAA submitted comments on the IAIS papers on Consultation on Basic Capital Requirements
- IAA President addressed IAIS Executive Committee at its Annual Conference in June
- IAA representation at various technical committee meetings throughout the year and at upcoming annual conference in The Netherlands



Supranational Relations cont'd

International Monetary Fund

IAA leadership met with Christine Lagarde, Managing Director of the International Monetary Fund, to introduce IAA and discuss, among other topics, microinsurance, systemic risk, and professionalism

Ongoing Relationships

- International Social Security Association
- Organisation for Economic Co-operation and Development
- World Bank
- World Health Organization



Microinsurance: IAA issued paper in May 2014 entitled Addressing the Gap in Actuarial Services in Inclusive Insurance Markets

- Outlines context and challenges in providing qualified actuarial resources in microinsurance markets
- Proposes a number of suggestions intended to address these challenges.
- Explores avenues for further development and collaboration between the IAA and IAIS in this area.
- Identifies key issues in inclusive insurance markets:
 - Need for suitably qualified or experienced professionals
 - Limited supply of actuarial capacity in microinsurance markets
 - Lack of understanding of the contribution that actuaries can make to microinsurance programmes
 - Importance of balancing supply and demand for actuarial services



Paper on Deriving Value from the ORSA

Own Risk and Solvency Assessment Subcommittee (ORSA)—of the Insurance Accounting Committee are currently developing a paper on Deriving Value from the ORSA—Board Perspective

Topics include:

- Understanding the company's risk appetite and risk profile
- Assessing the adequacy of the risk evaluation and risk treatment processes
- Understanding management's strategic risk-based decisions
- Limitations and caveats



Working Towards New IAA Education Syllabus

- Education Committee agreed to form task force in October 2013
- Initial syllabus structure and proposals before the meetings in Zürich in April 2015
- Expanded Education Committee meetings in Zürich to focus on draft (straw man) syllabus proposals
- Detailed syllabus requirements finalized and approved by Education Committee at the Vancouver meetings in October 2015
- Feedback on approved syllabuses incorporated into a final document
- Syllabus approved by Council at the St. Petersburg meetings
- Implementation by 2019



Zürich Program

—Standards Seminar

- Objective: Support Strategic Objective 3
“... Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations, and the global convergence of actuarial standards...”
- Target audience: associations that do not have a standard setting process (but all welcome)
- Content:
 - Standards generally and ISAPs
 - Professionalism Committee’s survey on ISAP usage to date
 - Experiences of existing standard-setters
- Views from participants on what support can best be provided
- Date (to be confirmed): April 9, 2015 (pm)

—Expanded Education Committee Meetings

- Date (to be confirmed): April 7 (pm) & April 8 (am)



What do Clients of Actuaries Need?



- Many clients, many needs, many product levels
- Fully qualified actuaries (FQA) will need:
proven technical skills, combined with versatility,
adaptability, problem-solving skills, real-world option
analysis, influencing skills, teamwork, leadership
- FQAs also need the capacity (and support) to change
- Managing Risk & Value at Entity Level → CERA
- Technical support skills and the IFoA's Certified Actuarial
Analyst credential
(www.actuaries.org.uk/becoming-actuary/pages/my-career-certified-actuarial-analyst)
- Big data? → adding value through (micro)analytics



Chartered Enterprise Risk Analyst (CERA)



Global Credential (www.ceraglobal.org)

- The most comprehensive and rigorous globally-recognised Enterprise Risk Management (ERM) credential
- Fifteen actuarial associations from all over the world participate in CERA Global Credential
- CERA participants have signed a treaty to guarantee quality – to each other, and to the public – through a rigorous QA program



Competitive Positioning

- IAIS and many regulators globally now require ERM processes for all forms of regulated institutions
- ERM work is not restricted to actuaries, but actuaries have many (but not all) the skills needed
- Other pseudo-professions are competing – often from banking background – but less complete technical basis, and weaker professional framework
- Actuaries can make good CROs if they demonstrate the right skillset, including interpersonal skills
- CERA is a rigorous credential in this key domain



Syllabus

- ERM concept and framework
- Structure of the risk management function
- What is good risk management practice (incl. discussion of risk culture)
- Reporting of risk exposures
- Risk types: market, credit, operational, business, etc
- Risk measures
- Modelling tools including extreme value theory
- Aggregation of risks including copulas
- Risk mitigation techniques
- Economic capital



How to Qualify to Award CERA

- Association to make written application to the Treaty Board to become designated as Award Signatory upon fulfilling the requirements set out in Treaty document.
- Application must include evidence to satisfy the Treaty Board that the association:
 - has internal governance arrangements
 - is able to comply with the Treaty immediately upon becoming an Award Signatory
 - is able to provide educational programs which cover sufficient proportion of the ERM syllabus and include suitable exam and/or other assessment processes
 - has CPD strategy in place that includes ERM
 - has appropriate mechanisms in place for review and appeal of a decision to refuse an application for the award of the Treaty Designation
 - is a Full Member Association of the IAA



How to Qualify to Award CERA cont'd

The CERA Treaty recognizes that some actuarial associations that are not currently participants in the Treaty may wish to become affiliated with CERA in the future. Any association that wishes to do so will be required to:

- Submit written application to CERA Treaty Board
- Demonstrate commitment and ability to meet all of the obligations and terms of the Treaty
- If the association wishes to become an Award Signatory, demonstrate to the Review Panel that its education and validation processes will meet the requirements of CERA, as the initial signatories must do.
- Become a member of the CERA Global Association.



Thank you



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