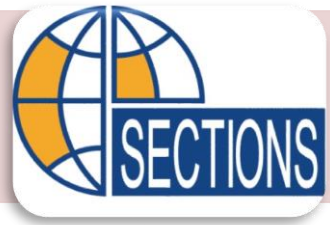
Presentation to Society of Actuaries Board

March 9–10, 2015

Fred Rowley, IAA President
Nicole Séguin, Executive Director

About the IAA



Worldwide association of professional actuarial associations

- 67 FMAs*
- 29 AMAs*
- representing 60,000+ actuaries in 108 + countries

7 special interest Sections for individuals:

AFIR-ERM
ASTIN
AWB
IAAHS
IACA
Life
PBSS

5000+
Section members

750+ volunteer actuaries

Council and committees meet twice a year

Sections host colloquia **International Congress of Actuaries** every 4 years.

300+ conference calls annually

Constituted in Switzerland

based in Canada

11 staff

Exists to encourage the development of a global profession

Acknowledged as technically competent and professionally reliable

To ensure the public interest is served

FMAs: Full Member Associations; AMAs: Associate Member Associations

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

IAA Membership – Basic Requirements

- Full Member Association – *currently 67*
  - Code of Professional Conduct consistent with IAA principles
  - Formal disciplinary process
  - FQA's to be educated in line with IAA Education Guidelines & Syllabus
  - Formal process to adopt standards of practice
    …….. if and when national standards are created
- Associate Member Association – *currently 29*
  - Actuarial association not meeting all conditions above
  - Minimum of five members residing at three or more different addresses
  - In existence for a minimum of one year
  - Not engaged in any advertising or solicitation of new members, funding or business services that the association knows or should know is false or misleading

Accreditation

The IAA has 2 committees involved in the accreditation process:

- Accreditation Committee—examines applications for membership, reviews/monitors compliance with membership requirements, makes recommendations to Council
- Education Committee—encourages and promotes the development, maintenance and enhancement of appropriate standards of actuarial education and Continuing Professional Development (CPD) internationally
  - maintains a process for the assessment of education requirements of associations as part of the accreditation process
  - determines whether the education requirements for a particular association or programme meet the standards set down in the IAA Education Syllabus and Guidelines and advises the Accreditation Committee on compliance

When will IAA perform best?

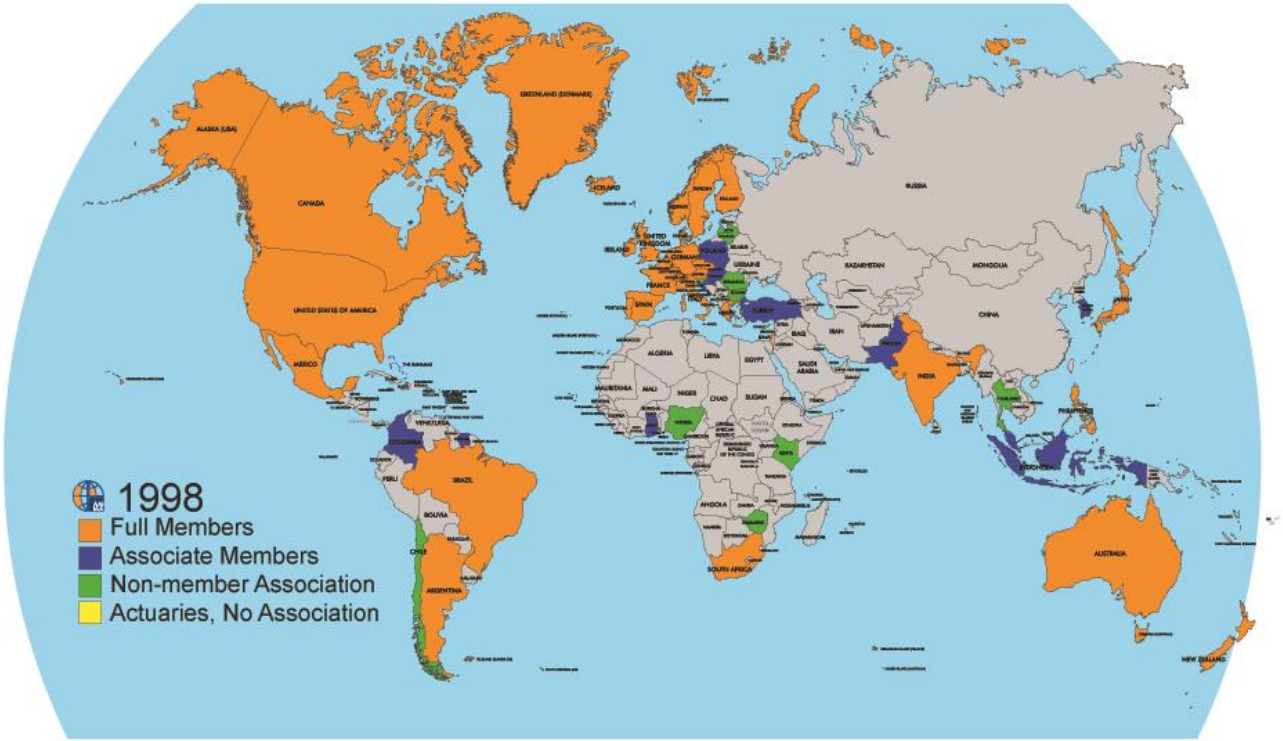
- When there is real ‘buy-in’ and positive support (across many FMA’s) for the IAA Vision and Mission Statements, the Strategic Plan, and the activities within it
- When a wide range of FMA technical contributors and leadership are involved and actively networking
- When dependable volunteer or staff resourcing can be made available to support project activities, sometimes over a sustained period
- When there is an opportunity for synergies between the development of the profession globally and the activities of leading FMA’s and their members

Principle of Subsidiarity

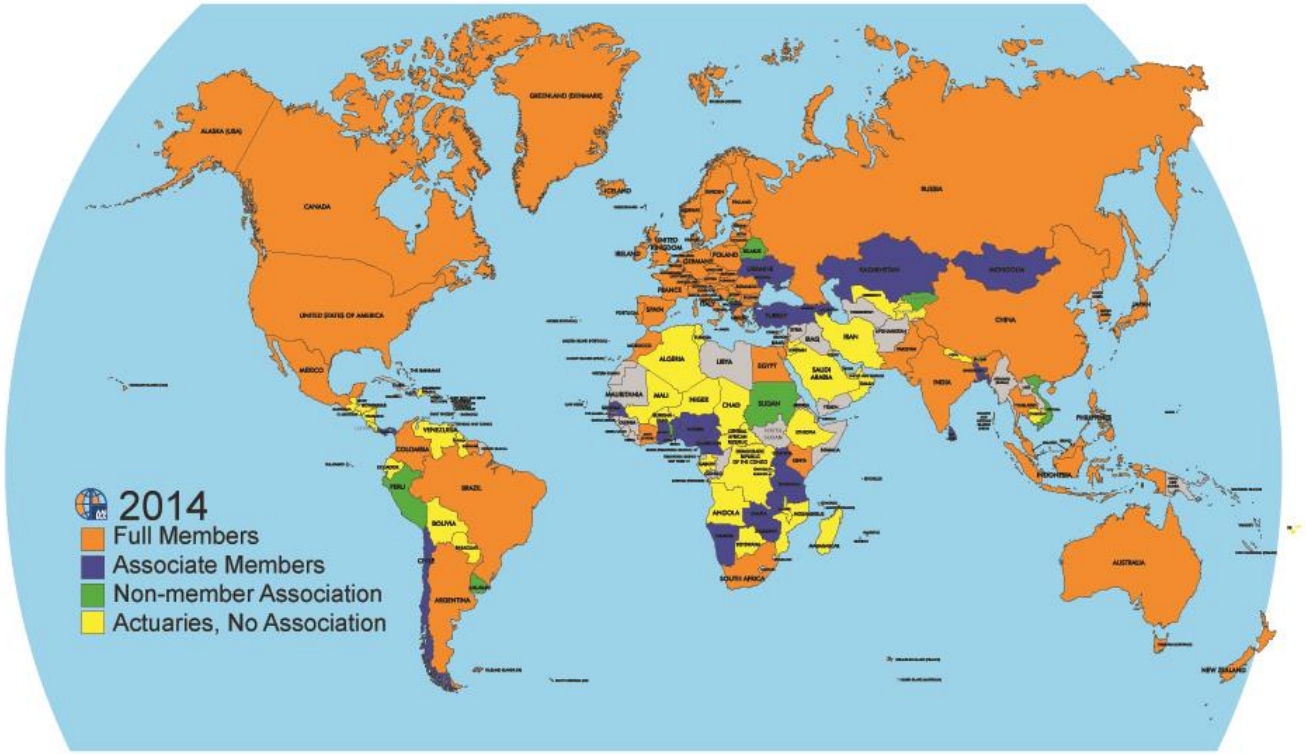
Article 8—Statutes

- Restricts its activities to strategies and programmes which require international co-ordination or direction
- Only becomes involved with actions at level of the member associations or regional groups of actuarial associations at the express invitation of such an association or group

Map of the IAA in 1998



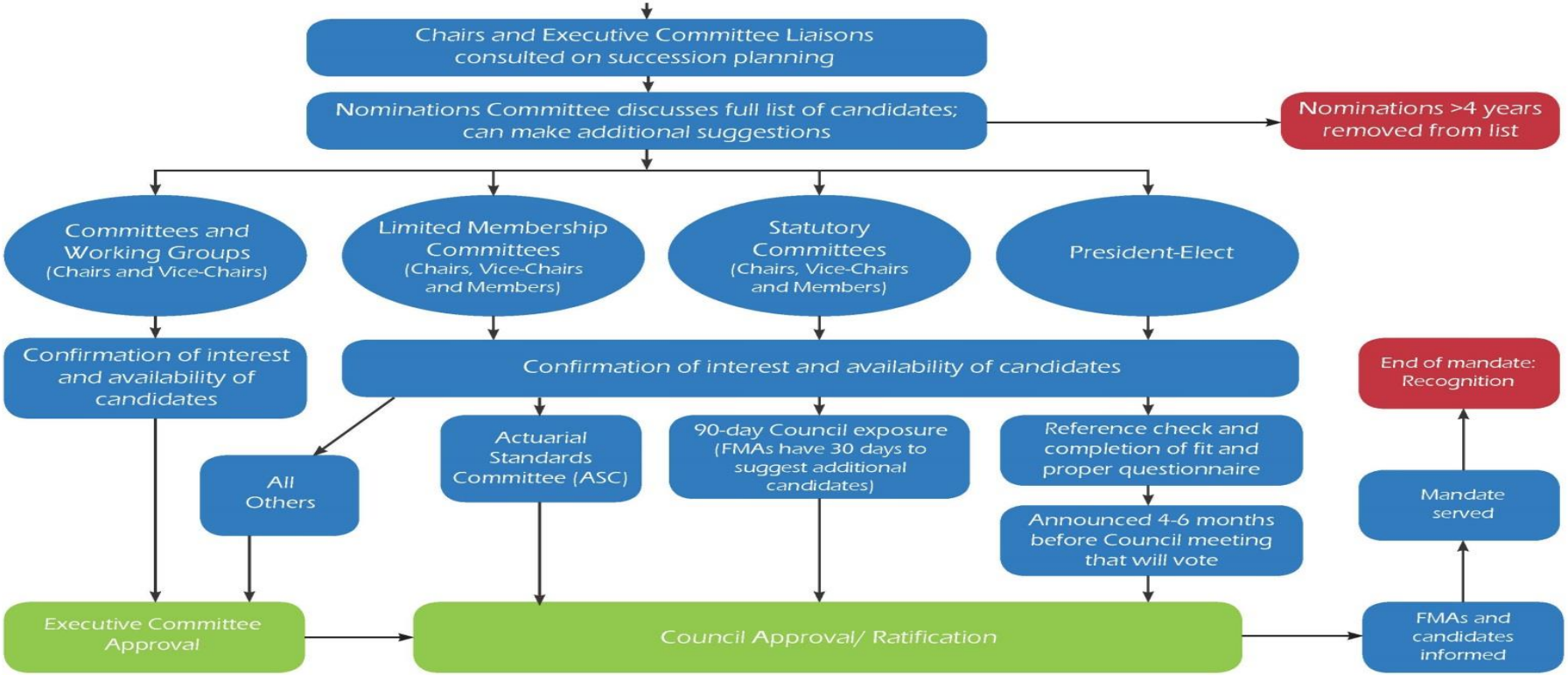
Map of the IAA in 2014



Committees

- Full Member associations appoint representatives to IAA committees which:
  - serve the global profession
  - develop model international standards of actuarial practice
  - define syllabus and education requirements
  - prepare briefs and public statements for international regulatory and other bodies (IAIS, IASB, OECD, etc.)
    - *See organization chart*
- Nominations Committee—recommends to Council names of suitable candidates to assume the duties of key positions in the IAA based on submissions received from Full Member Associations
  - seeks to achieve diversity: geographical, linguistic, cultural, range of skills and practice areas, size of association, gender, mother tongue; also considers ability of the candidate to attend statutory meetings in person
  - follows established protocol and nominations process *(see flowchart)*

Nomination Process Flowchart



Definitions: FMA: Full Member Association
Limited Membership: Not open to FMA appointments (i.e. Actuarial Standards)
Statutory Committees: Audit and Finance, Executive Committee and Nominations

Presidents' Forum

Meets twice a year in conjunction with IAA Council and Committee meetings

Provides a forum for each association President to:

- Discuss common topics of interest with other association presidents
- Listen to outside speakers present on topics relevant to the actuarial profession
- Share ideas/experiences and learn from others
- Network

Value Proposition—*FMA discussions: by Webinar in August 2014 and at Presidents Forum and Council in London; approved by electronic ballot December 26, 2014*

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

- Globalize the 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

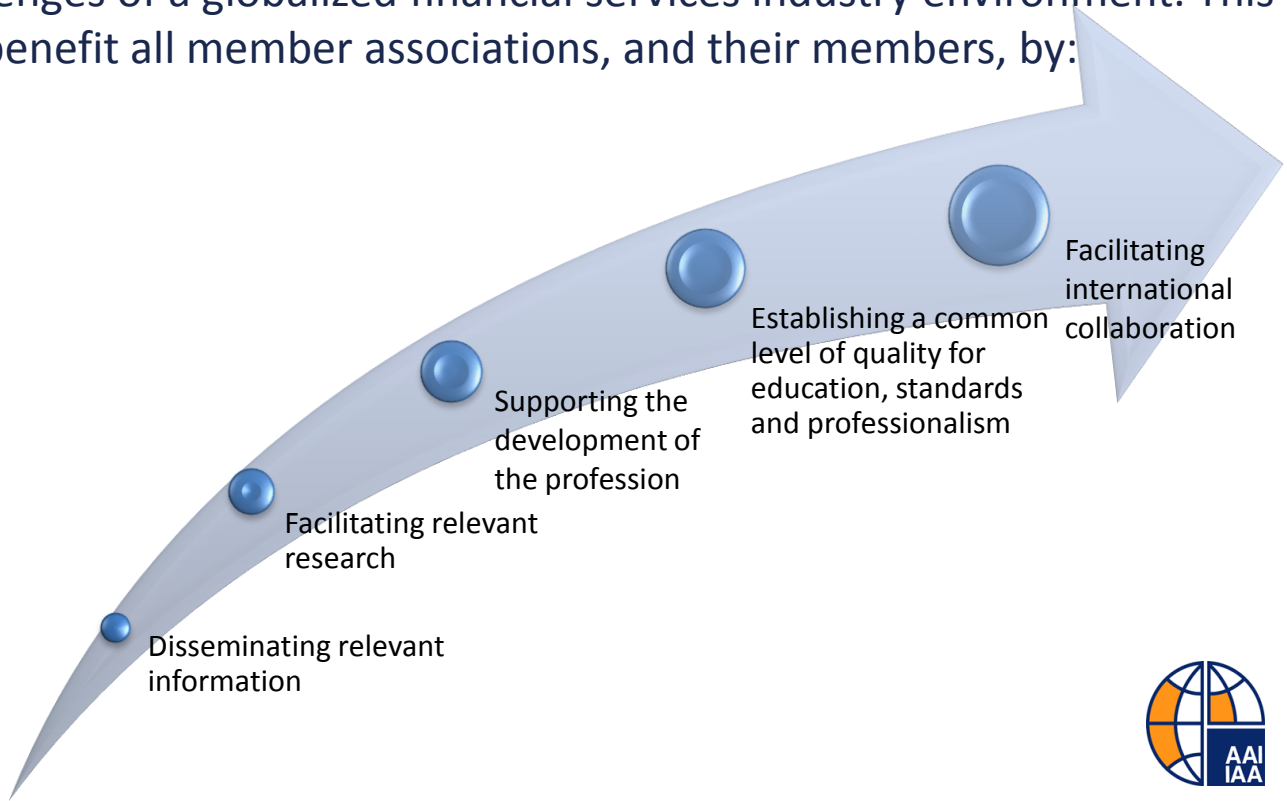
Value Proposition *cont'd*

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:



Strategic Plan - Six strategic objectives

1. Relationships with key supranational audiences
2. Expansion of scientific knowledge to wider fields to enhance the scope, quality, and availability of actuarial services
3. Establish, maintain and promote common standards of actuarial education and principles of professional conduct for actuarial practice; promote development and issuance of actuarial standards in jurisdictions of Full Member associations, and the global convergence of actuarial standards
4. Support the development, organization, and promotion of the actuarial profession
5. Provide a forum for discussion
6. Improve recognition of the actuarial profession (branding)

Strategic Objective 1: Supranational Relations

- Oversight rests with Executive Committee (EC)
- Work carried out by relationship managers (appointed by EC) and relationship delegates
- Formal reporting process in place through committee work plans and activity reports
- Representation chart available on the IAA website
- IAA Secretariat has full-time Supranational Relations Manager on staff to help support this activity

Relationship with IAIS

- IAA has a signed Memorandum of Understanding with IAIS since 2012
- Then Chairman Peter Braumüller guest speaker at London Council meeting. Peter now a member of IAA Actuarial Standards Committee effective 2015
- New Chairman Felix Hufeld will speak at Zürich Council meeting
- IAA commented on IAIS paper: Consultation on Basic Capital Requirements
- IAA President addressed IAIS Executive Committee at 2014 Annual Conference
- IAA representation at various IAIS technical committee meetings throughout 2014 and at annual conference in The Netherlands
- Working with IAIS on capital standards and development of papers on Approaches to Actuarial Services in Inclusive Insurance Markets and Proportionate Prudential Requirements in Inclusive Insurance Markets

- Hosted seminar in Basel, Switzerland (May 2014): *Extension of actuarial methods to better manage financial risks and regulatory requirements*
- 18 representatives attended from:

FINANCIAL STABILITY INSTITUTE

IAIS International Association of Insurance Supervisors

BANK FOR INTERNATIONAL SETTLEMENTS

FSB FINANCIAL STABILITY BOARD

- Similar seminar to be held in Zürich, in April 2015, for non-actuaries in the banking and regulatory sectors

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Plans for 2015

- Work more closely with World Bank on actuarial support in developing countries
- Further develop relationships with organizations that participated in the Basel Seminar, in addition to other bodies such as the Geneva Association
- Continue with initiatives for populating other categories of membership

IAA External Relations

Partners: important institutions that especially concern themselves at the international level with matters of concern to actuaries *(formerly referred to as Institutional Members)*

The IAA has engaged in a Memorandum of Understanding (MOU) which each of these organizerions.

IFRS

OECD
BETTER POLICIES FOR BETTER LIVES

IAIS
International Association of Insurance Supervisors

IOPS
INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS

issa

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- Observers: public, academic or industry institutions of relevant interest for the global actuarial profession, particularly those active at international, supranational or regional level, that share IAA's intent of enhancing communications, liaison, exchanges and strategic support.

ADB

- Patrons: organizations that provide regular financial support to our volunteers who are developing the body of knowledge of actuarial science, enhancing the quality of services and the professional standards

RGA®

Reinsurance Group of America, Incorporated®

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Additional Ongoing Relationships

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

- Developed at the request of IAIS
- 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 Deriving Value from the ORSA

Own Risk and Solvency Assessment Subcommittee (ORSA)—of the Insurance Regulation Committee

- 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

Future Publications

- Educational Monograph (Risk Adjustments under IFRS)—completion expected late 2015
- Risk Book to be completed in several phases—completion of phase 1 expected mid-2015

Model International Standards of Actuarial Practice

- **ISAP 1—General Actuarial Practice**: since IAA adoption in 2012, Actuarial Association of Europe adopted it as its general standard
- **ISAP 2 – Financial Analysis of Social Security Programs:** Adopted by the IAA in 2013
- **ISAP 3 on IAS 19 – Employee Benefits**: Proposed final ISAP issued for final review by FMAs/commenters; on Council agenda for approval in Zürich, April 2015
- **ISAP [4] – IFRS X– Insurance Contracts**: Statement of intent (SoI) approved by Council on September 13; expect completion in 2017
- **ISAP [5] – Insurer Enterprise Risk Models:** SoI 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 SoI in September 2014; approved by EC; to be ratified by Council; expect completion in 2017

FMAs can either adopt, adapt, recognize model ISAPs as consistent with their own, or ignore them

Working Towards New IAA Education Syllabus

- October 2013—task force created by Education Committee
- April 2015—Education Committee and Education Syllabus Seminar in Zürich; presentation of initial syllabus structure; suggestions to be invited from member associations
- October 2015—Detailed syllabus requirements finalized and approved by Education Committee at Vancouver meetings
- In 2016—syllabus to be approved by Council at the St. Petersburg meetings
- 2016 to 2019—transition period for member associations to comply with new syllabus

Zürich Program

Standards Seminar

- Objective: Support Strategic Objective 3 – *Promote the development and issuance of actuarial standards in the jurisdiction 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: April 9, 2015 – 2:00 to 5:30 pm

Education Syllabus Seminar

- Date: April 8 – 2:00 to 6:00 pm & April 9 – 8:30 am to 12:30 pm

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

Full Member Engagement Plan

Benefits of the FMA Engagement Plan:

- FMAs derive clear benefits from membership
- 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
- The IAA enjoys the ongoing support of the FMAs including volunteer and financial support

To accomplish this, the IAA relies on:

- FMA support
- FMA membership fees
- FMA volunteers

Opportunities to work more closely

The IAA has appreciated the following support:

- IAA meetings in Los Angeles (2012)
- International Congress of Actuaries Washington (2014)
- Work of Mortality Working Group through SOA International Experience Study

Going forward:

- Hosting of IAA meetings in Chicago (2017)
- Staff support on committee projects
- Other

Thank you

www.actuaries.org

Moving the profession forward internationally