



**ASSOCIATION ACTUARIELLE INTERNATIONALE  
INTERNATIONAL ACTUARIAL ASSOCIATION**

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Dear Sir,

As requested in Mr. Mamdouh's letter of the beginning of 2003, a meeting was held at your head office in Geneva on 4 September 2003 between yourself representing the WTO and Mr. Philippe Maeder representing the IAA.

During this meeting, the World Bank's request to our organisation was elaborated upon. The request focused on the central question as to whether the document "Disciplines on domestic regulation in the accountancy sector" was "transferable" to the actuarial profession without many changes.

With respect to providing services, the accountancy profession has considerable similarities to the actuarial profession. Of course, each operates within its own area of specialist knowledge and expertise, subject to its own professional codes of conduct. After close study of the contents of the document "Disciplines on domestic regulation in the accountancy sector," we reached the conclusion that this could apply to the actuarial profession without significant amendments.

***Present Status of the Actuarial Profession***

We use the phrase "could apply". This formulation relates to the fact that, unlike the accountancy profession, the actuarial profession is (still) not a formally recognised profession in most countries. The effect of this is highlighted by the following example, which is not an isolated example.

Today if an actuary in the United States travels to Canada and is questioned by immigration officers, he can say that he is visiting as a consultant to a Canadian company in connection with their US business, or he can give as the reason for his visit the fact that he is an actuary visiting his Canadian affiliate. He cannot give as the reason for his visit the fact that he is an actuary and is visiting Canada to give advice to a Canadian client. The actuarial profession is

not on the list of designated professions under NAFTA (the North American Free Trade Agreement).

The IAA, as an umbrella organisation, invests considerable time and effort to obtain worldwide recognition of the profession of actuary as a designated profession. The associations affiliated to the IAA also do considerable work in this regard. In line with the above example, the American Academy of Actuaries, the Canadian Institute of Actuaries and the Colegio Nacional de Actuarios (Mexico) are trying to ensure within the context of NAFTA that “Actuary” is placed on the list of designated professions, subject to the proviso that “Actuary” in this sense refers to a person who is a qualified member of any of the organisations in his/her own country. This is expected to reach a successful conclusion soon. As a result, actuaries from a NAFTA country will obtain free access to other NAFTA countries to practise their profession. This does not mean, however, that these actuaries can also perform “statutory functions”. To do so, they must be a qualified member of the association in the respective country. To become a member, additional education requirements apply, which are tailored to practice in the respective country. The additional requirements, however, are comparable to the requirements that apply to actuaries in their home country (see also 1.3 Education).

Even if it may be assumed that all is arranged properly, difficulties may still arise. An example of this is a case which occurred in the European Union (EU). On the basis of the mutual recognition agreements between countries of the EU, actuaries from one country may become members of the association of another country of the EU and practise the actuarial profession, subject to further conditions. In practice, a situation occurred where a Dutch actuary applied for a licence to issue actuarial certificates at the offices of a Dutch subsidiary in Greece. He met all the criteria of the mutual recognition agreement. Although, the Greek authorities imposed additional conditions, these were met subsequently.

### ***Desired Status of the Actuarial Profession***

The examples referred to here are meant to indicate that we, as the IAA, still have considerable work to do to ensure that the actuarial profession acquires the status whereby governments worldwide will recognise actuarial associations as bodies which control the professional activities of actuaries and ensure an appropriate level of professional education of their members. Such recognition should result in a situation in all countries affiliated with the WTO where governments and/or bodies which represent governments, in consultation with actuarial associations in their countries, regulate matters relating to “Disciplines on domestic regulation in the actuarial sector” in a way comparable to that set out in the document “Disciplines on domestic regulation in the accountancy sector”. In our opinion, in line with current practice in many countries, it is the actuarial professional bodies that have the power, either directly or by delegation, to determine membership of the profession and to decide on disciplinary matters.

It is up to the IAA to provide the basis for broad recognition. However, we hope that your organisation will support us on this road and, if necessary, will advise us. We need to overcome the handicap that by number, actuaries are a small profession and thus are almost invisible on the radar of trade negotiations. Our organisation has been in existence for over 100 years but we have adapted to the challenge of globalization, and we believe that this basis has largely been established. We wish to discuss this further below.

### ***The International Actuarial Association (IAA)***

The IAA is the continuation of the "Comité Permanent des Congrès d'Actuaires" established in 1895 as an association of individuals, which was renamed the IAA in 1968. On the occasion of the 26th International Congress of Actuaries held in Birmingham from 7-12 June 1998, the General Assembly of the International Actuarial Association restructured itself as an association of actuarial associations, in accordance with Swiss Law with a Secretariat in Ottawa, Canada. Within the scope of this reorganization, the International Forum of Actuarial Associations (IFAA), which was formed as a section of the IAA on 10 September 1995, was dissolved. The governance and structure of the IFAA were thus incorporated into the reorganised IAA to meet the growing needs of the actuarial profession as it expands in a global economy. The year 1998 will go down in history as a major turning point for the actuarial profession and an important step in preparing the profession for the challenges of the next millennium.

The restructuring created a single, stronger unified framework to ensure unity of direction and efficient coordination with respect to issues of a global nature. The major responsibilities of the IAA are now in the hands of the actuarial associations, which bring together the actuaries in their respective countries and are the link between the actuaries and the actuarial associations worldwide. The IAA is the unique international organisation dedicated to the research, education, and development of the profession and of actuarial associations.

Fifty associations are now affiliated to the IAA as Full Members. These associations represent a total of close to 40,000 actuaries in over 90 countries and cover the vast majority of actuaries in the world.

We refer you to our website ([www.actuaries.org](http://www.actuaries.org)) for information on the way the IAA is organised.

Especially in the last decade, the IAA has made it a priority to create a basis for worldwide recognition of the profession and of the actuarial associations. An important success in this regard is the recognition by the International Accounting Standard Board (IASB) and the International Association of Insurance Supervisors (IAIS) that the IAA, more than any other organisation, has the knowledge required to assist them in issues relating to valuation and issues relating to the solvency of insurance companies and the financial reporting of employee benefit costs.

The IAA maintains close contact with the Groupe Consultatif Actuariel Européen (GC), the organisation in which all the actuarial associations of the European Union are represented. All these associations are also members of the IAA. In the IAA we frequently rely on the experience the GC has built up in the last 25 years. For example, the IAA has adopted the Code of Professional Conduct from the GC, which is similar to that of many recognized organisations.

We provide below an overview of a number of important developments within the IAA and a number of developments that will soon take place.

*Developments that have occurred and developments that will soon take place*

Firstly, it is worthy to note the adoption of a constitution that makes it possible to operate as an international association. On the basis of the constitution, actuarial associations can become Full Members if they meet the prescribed accreditation standards. The Accreditation Committee determines the assessment of whether a potential member meets the standards. An important condition that the Accreditation Committee examines closely is the presence of a disciplinary procedure with independent recourse to appeal. As part of its professional regulation the local association has to maintain a discipline system with the following minimum provisions:

- a. There is a complaint process accessible to both anyone affected by a member's work and to the member's professional peers.
- b. There is due process of defence 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.

To qualify for full membership of the IAA, an association of actuaries must also be committed to having in place by 2005 arrangements to conform to the core syllabus and guidelines of the IAA for the education necessary to become a qualified actuary.

The Accreditation Committee presents its findings in a recommendation made to the Council, where the representatives of the Full Member associations vote on the accreditation.

The main objectives of the IAA, set out in Article 3 of the Statutes, have been expanded and presented as detailed objectives in Section 1 of the Internal Regulations. These objectives are reproduced in **Addendum 1**.

The objectives stated in the addendum have formed the basis for IAA's work in past years and will continue to do so in the coming years. A number of important developments have occurred. In addition, various initiatives will be presented to the Council within the foreseeable future for final approval. To illustrate the importance of the activities within the framework of the objectives, we wish to discuss the first three objectives briefly.

### 1.1 Professionalism

The following reports have been developed and have taken effect within this framework:

- International Actuarial Standards of Practice
- The Function of the Actuary in the Prudential Supervision of Insurance Companies
- Mutual Recognition and other Cross-Border Practice Issues
- Mutual Discipline Agreement

An important standard that was recently published is: "IAA Guidelines of Actuarial Practice for Social Security Programs". These guidelines were prepared in part at the request of the ISSA (International Social Security Association).

Four classes of standards are distinguished:

- Class 1 — Mandatory:  
all member organisations are required to adopt and endorse them;
- Class 2 — Voluntary:  
a standard of practice that is not mandatory. However if a member organisation imposes it on its members it would apply with mandatory effect;
- Class 3 — Recommended practice:  
actuaries are expected to follow the recommended practice unless there are sound and defensible reasons for not doing so;
- Class 4 — Practice guidelines:  
educational in nature, representing a statement of good practice.

The formal process for adoption of standards of practice to be followed by our members distinguishes the following criteria:

- 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. An authority vested with such powers promulgates the standards.
- e. The standards are published and promulgated to member practitioners.

Partly in the light of experience with the due process to be followed, a proposal to accelerate the due process has been presented within the framework of the development of international standards. This is important for developing the standards in the immediate future within the framework of insurance accounting, as a consequence of cooperation with the IASB.

## 1.2 Public Status and influence

Many contacts have been established in recent years. The most important contacts are those with the IASB and the IAIS, as previously mentioned, the Organisation of Economic and Commercial Development (OECD), the International Federation of Accountants (IFAC) and the World Bank.

The Insurance Accounting Committee maintains the contacts with the IASB, IFAC, and the World Bank; the Insurance Regulation Committee and the Pensions and Employee Benefits Committee maintain contacts with the IAIS and the OECD, respectively. The Insurance Regulation Committee is also involved with the World Bank as our relationships are not limited to accounting. To give you an idea of the activities within this framework, we have enclosed the terms of reference of these committees as **Addenda 2, 3 and 4**.

Both separately and jointly, the Insurance Accounting Committee and the Insurance Regulation Committee have produced various reports, for example in the areas of the valuation of assets and liabilities, and solvency. In support of the IAIS's initiative to develop a global framework for risk-based capital for insurance, a working party of the Insurance Regulation Committee has published a report entitled, "A Global Framework for Insurer Solvency Assessment."

### 1.3 Education

Within the framework of education, a basic report entitled “Education Guidelines and Syllabus for an Internationally Recognised Actuarial Qualification” applies.

This basic report includes the following statement:

“It is intended that the full membership requirements of Full Member associations of the IAA will at least match the attached syllabus (taken in conjunction with these education guidelines) from the year 2005 onwards.”

The terms of reference enclosed as **Addendum 5** of this letter are aimed at attaining this situation by the year 2005.

Minimum educational guidelines to facilitate the recognition of professionals of one jurisdiction by associations of other jurisdictions are required. In any case, it is necessary that knowledge of laws and practices of host jurisdictions, at least to the level of local publics, including regulators, would be expected from the professional wanting to practice in a host jurisdiction.

#### *Summary*

The IAA is convinced that we are an organisation that is on par with comparable international organisations. We therefore regard it as our obligation to obtain recognition as the international representative of the actuarial profession and to ensure that this recognition also extends to our member organisations in the various countries.

We would very much like to continue our contacts with the WTO and would appreciate the necessary support by you in obtaining such recognition. The IAA has designated Messrs. Philippe Maeder and Gottfried Rey, both from Switzerland, as the persons responsible for maintaining contact with your organisation.

We wish to thank you for the WTO’s interest in our organisation and to express our hope that our cooperation in the future will be fruitful.

Yours sincerely,



Yves Guérard  
Secretary General

#### Attachments

cc: Jean-Louis Massé, Chair, Professionalism Committee  
Philippe Maeder  
Gottfried Rey

## **EXTRACT OF IAA INTERNAL REGULATIONS**

### **SECTION 1. DETAILED OBJECTIVES**

The main objectives as defined in Article 3 of the Statutes are enhanced and organised as follows:

#### *1.1 Professionalism*

To provide a forum for discussion and support that helps Member Associations establish a basis for:

- a. Professional conduct and discipline;
- b. Standards of practice;
- c. Public and statutory roles for actuaries;
- d. Mutual recognition of professional qualifications; and
- e. Service in the public interest.

#### *1.2 Public Status and Influence*

To provide a forum for discussion and to facilitate communication on:

- a. Public interface issues of international applicability that are important to actuaries;
- b. Interests of the profession to supranational governments and organisations;
- c. Developing and maintaining relationships with relevant international professional organisations; and
- d. Professional issues of importance to actuaries and their relationship with other professional and regulatory bodies.

#### *1.3 Education*

To provide a forum for Member Associations to discuss and attain agreement on:

- a. Guidelines for actuarial education and a common core syllabus;
- b. Guidelines for the scope of continuing professional development;
- c. International exchange programmes and summer schools;
- d. Programmes to enhance actuarial education in emerging economies; and
- e. Programmes to implement preparation of and diffusion of actuarial study material.

#### *1.4 Actuarial Science*

To provide a forum for worldwide promotion, co-ordination, discussion, and dissemination of actuarial research at all levels, by:

- a. Commissioning or organising international congresses and colloquia;
- b. Stimulating publications;
- c. Creating and maintaining digital highway sites; and
- d. Supporting Sections in such fields as actuarial risk control, mortality, morbidity, actuarial demographics, finance and investments, and public and private financial security systems, but not limited to these fields.

*1.5 Participation*

To bring actuarial associations together to discuss and take action on issues of common concern including:

- a. Promulgating of the IAA accreditation standards;
- b. Encouraging actuarial associations to join the IAA; and
- c. Encouraging eligible individual actuaries to become members of, and to participate in, the Congresses and Sections of the IAA.

*1.6 Organisational Support*

To provide a structure for convening actuaries and actuarial associations from around the world to assist in:

- a. Creating or strengthening professional associations of actuaries in those countries in which there is none or in which one is emerging;
- b. Monitoring and promoting initiatives to respond to new developments relevant to the international actuarial community; and
- c. Defining and supporting IAA initiatives with respect to international issues.

**Insurance Accounting Committee**

**Terms of Reference**

To coordinate the IAA's response to exposure drafts and other pronouncements of the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) related to insurance financial reporting and auditing.

To deal with matters arising from insurance related financial reporting standards of the IASB and IFAC.

To address professional issues of international relevance for actuaries, accountants and auditors dealing with the financial reporting of insurance, including development and maintenance of IAA actuarial standards of practice relating to insurance financial reporting and auditing.

To liaise with IASB and IFAC on issues relating to insurance financial reporting.

To assist, when appropriate, the IAA Insurance Regulation Committee in its liaison role with the IAIS.

To communicate on these and related issues with other affected parties, including the financial services industry.

Revised - 16 March 2002

## **Insurance Regulation Committee**

### **Terms of Reference**

To liaise with the International Association of Insurance Supervisors (IAIS) on issues relating to the regulation and supervision of insurance companies.

To liaise with other interested bodies at the international level, on issues relating to the regulation and supervision of insurance companies.

To assist the IAIS and the World Bank in the development of international guidelines or standards relating to matters such as technical reserves, capital adequacy requirements, valuation of assets and liabilities, financial condition reporting, the role of the actuary, actuarial opinions and actuarial qualification standards.

To outline international frameworks for actuarial standards of practice in relation to the role of actuaries in insurance companies with regard to regulatory requirements.

To develop outline protocols regarding the respective responsibilities of actuaries and auditors in relation to financial statements prepared for supervisory purposes.

To liaise with the Insurance Accounting Standards Committee of the IAA in relation to the interface between accounting standards and supervisory requirements for insurance companies.

To promote the role of actuaries in the regulation and supervision of insurance companies in order to ensure that the public interest is served.

The Chairperson of the Committee will act as the Representative Observer Member to the IAIS on behalf of the IAA. This role will include attending such IAIS meetings as are appropriate, promoting the IAA within the IAIS and liaising with other Observer Members to further the interests of the IAA and the actuarial profession. The Representative Member will also encourage proactively other senior members of the IAA to attend or listen to IAIS and Observer meetings and conference calls as relevant topics emerge. This responsibility will include the circulation of papers and the dissemination of information on developing issues to interested actuaries.

**Pensions and Employee Benefits**

**Terms of Reference**

1. To coordinate the IAA's response to the IASB Employee Benefits Accounting standard and to deal with matters arising out of the promulgation of that standard.
2. To address any professional issues of international relevance for actuaries working in the field of employer-provided pensions and employee benefits which may be referred to the committee by the IAA executive Committee or Council or by the President.
3. To coordinate as needed with the Committee on Social Security.
4. To provide support to the proposed IAA Pensions section if established.
5. To establish links into other worldwide pension organizations as may be appropriate (such as the Organisation for Economic Co-Operation and Development (OECD), the World Bank, the International Network of Pensions Regulators and Supervisors (INPRS)).

Revised - 21 October 2002

**Education Committee**

**Terms of Reference**

1. To determine whether the education system for a particular association or programme meets the standards set down in the IAA Education Guidelines.
2. To work with the Accreditation Committee to establish a process for membership applications.
3. To undertake a formal periodic review of the IAA syllabus guidelines at least every three years and to deliver a formal report to IAA Council on this periodic review.
4. To facilitate developments in the globalization of education systems leading to common syllabuses and common assessments.
5. To maintain a database on the situation in respect of the education guidelines for each member association.
6. To provide a consultative forum for associations developing their education system.
7. In order to encourage the development of internationally oriented actuaries, to consider arrangements for the build-up of a database, accessible to member associations, of examples in particular countries of extensions of actuarial practice beyond the basic IAA education guidelines, with particular reference to continuing professional development (CPD) requirements.
8. To recommend arrangements to facilitate the exchange of information about CPD opportunities available in countries of member associations.