

TASK FORCE ON IAA GOVERNANCE

Report to the Presidents' Forum

November 16, 2006

Preliminary remarks

- The Task Force on IAA Governance was set up by the Presidents' Forum at a meeting held in Paris on May 28, 2006.
- The Presidents' Forum mandated the task force to prepare a report outlining proposed changes to the IAA governance structure to enable the IAA to better accomplish its mission.
- A total of 17 individuals representing 14 countries participated in the task force activities (see appendix A).
- The task force, chaired by Daniel Lapointe, Executive Director of the Canadian Institute of Actuaries, was instructed to finalize its report in time for the Presidents' Forum meeting scheduled for November 16, 2006 in Edinburgh.
- The task force's recommendations presented in this report represent the consensus views of its members; however, it does not present a unanimous consensus. It is virtually impossible to aspire to achieve a unanimous consensus on such complex and controversial matters. Appendix B of the report presents additional comments that some task force members wanted to bring to the attention of the Presidents' Forum.
- The report presents five distinct recommendations for discussion by the Presidents' Forum. The task force opted to prepare a succinct report with recommendations that outline practical, easy to implement measures.
- The task force members believe that it is critical for the IAA to develop and adopt a comprehensive strategic plan. The IAA will be in a better position to make governance decisions with a strategic plan in place.

What are the problems that we seek to solve?

The actuarial profession needs an international vision and voice to address globalization in areas within which it operates. A properly structured and effective IAA can play this role. In addition, the IAA can play an effective role in assisting with the development of the actuarial profession in countries where the profession has yet to be established.

The IAA should concentrate its activities on those areas where global involvement brings clear advantages and where it can naturally claim a mandate to take action. All matters of local or regional interest should be left to national associations unless they ask for assistance.

The IAA, as it currently operates, lacks the capacity to address the future global challenges of the actuarial profession. This is partly due to the governance structure but also to the lack of human resources (both paid and volunteer).

The current governance structure does not enable the IAA to make key decisions in a timely manner.

There is a lack of coordination within the IAA, leading to role ambiguity in a number of areas as well as the inefficient use of volunteer resources. This lack of coordination exists between IAA Sections and committees as well as between the committees themselves.

The IAA operations are not sufficiently transparent and more needs to be done to actively engage with member associations.

RECOMMENDATION # 1

The IAA Executive Committee should be empowered with more decision-making authority.

- The Executive Committee would report to the Council and have greater decision-making authority than it does currently, within limits determined by Council. The Council would, of course, remain the ultimate decision-making body of the IAA.
- The Executive Committee would be composed of a maximum of nine members elected by Council from amongst the Council delegates with consideration given to geographical representation as well as the ability and capacity to commit to IAA activities.
- All IAA committees and task forces would report to the Executive Committee, with the exception of the Nomination and Audit committees that would continue to report directly to the Council.
- The Executive Committee would be required to prepare for each Council meeting a report on activities and decisions taken since the previous Council meeting, as well as planned activities for the coming period. All of these reports would be framed within the agreed IAA strategic plan.
- The Executive Committee's authority would extend to some matters currently under the purview of the Council, such as the establishment of committees and the approval of terms of reference, the approval of public statements, the adoption of policies, etc. The Executive Committee would be accountable to the Council regarding all decisions it takes, in all areas (delivery of services, planning, management of resources, etc.).
- The Council would keep most of its current responsibilities:
 - a) Elect the officers and Executive Committee members;
 - b) Appoint members to the Nomination Committee and Audit Committee and have these committees report directly to the Council;
 - c) Adopt amendments to the IAA statutes;

- d) Approve applicants as Full Member Associations;
- e) Determine the location of the Secretariat;
- f) Determine annual IAA budget, including membership fees; and
- g) Appoint the auditors.

Rationale for Recommendation # 1

This reform would expedite the decision-making process without taking away the Council's authority to steer the organization in the desired strategic direction. It would establish the Council's focus on matters of governance and the Executive Committee's accountability to Council for the operational matters and the execution of strategy. With meetings twice a year and complete control over the election of IAA Officers and Executive Committee members, the Council would maintain control of the organization but would delegate sufficient authority to the Executive Committee to enable the timely conduct of business.

RECOMMENDATION # 2

The Nomination Committee should continue to report to the IAA Council but confine its responsibility to recommending candidates for Officer positions as well as for the Executive and Nomination committees.

- The Nomination Committee would provide the Council with a comprehensive report that includes a rationale for its recommendations.
- Overlap between the membership of the Nomination and Executive committees would be eliminated.
- The Nomination Committee would not be involved in setting the terms of reference of committees.

Rationale for Recommendation # 2

A Nomination Committee that reports directly to the Council should be maintained so there is a team of people devoted to identifying and recruiting appropriate candidates for the key leadership positions of the organization. Any overlap with the Executive Committee must be eliminated (or at least kept to a minimum) to avoid any real or perceived conflicts of interest. By providing regular and thorough reports on its activities, the Nomination Committee would address any concerns that have been expressed regarding a perceived lack of transparency. Setting terms of reference is not the role of an advisory body like the Nomination Committee.

RECOMMENDATION # 3 (a)

The Presidents' Forum should be integrated into the IAA structure so it plays an advisory role to the IAA Council and Executive Committee.

- The Presidents of all the actuarial associations would have a seat at the President’s Forum.
- The Presidents’ Forum would meet twice a year, in conjunction with the IAA meetings, and would discuss matters of interest to the global actuarial community.
- The Presidents’ Forum would raise issues, share information and focus on strategic matters and risks to the global profession. It would give advice to the IAA Council and Executive Committee and it would act as a “user group” and provide “client” feedback to the IAA.

Rationale for Recommendation # 3 (a)

The Presidents’ Forum has proven to be an effective platform for raising issues and new ideas. Having this body of seasoned leaders from associations around the world advising the IAA on a regular basis would add value to the IAA’s efforts. The Presidents’ Forum meetings would continue to run in conjunction with IAA Council meetings to facilitate communication between leaders (an Association President is not always the Association Delegate to the IAA Council).

OR

RECOMMENDATION # 3 (b)

The Presidents’ Forum should consider disbanding, contingent on the IAA agreeing to extend the duration of its Council meetings to allow additional time for delegates of Member Associations to discuss matters of importance to the global actuarial community.

- IAA Council meetings are not currently designed to facilitate the exchange of ideas and the sharing of views. The IAA would change the format of its Council meetings (by adding several hours to each meeting) to provide an opportunity for more intensive discussions.
- Discourse between actuarial leaders is very healthy and productive. Such discussions would not be limited to the Presidents but would be open to any delegate from the Member Association.

Rationale for recommendation # 3 (b)

The Presidents’ Forum has proven to be an effective platform for raising issues and new ideas. Some task force members question why it needs to be separated from the IAA and why it should be limited only to Presidents. Is a Presidents’ Forum really necessary if the IAA provides the appropriate time and setting for leaders of the global actuarial community to meet and exchange ideas on strategic matters?

RECOMMENDATION # 4

The IAA Council, Executive Committee and committees should use task forces more often.

- Special task forces, with clear mandates, timelines and deliverables, would be created when the need arises to accomplish a specific task.
- The creation and more frequent use of task forces would possibly eliminate the need for some of the current committees.

Rationale for Recommendation # 4

The more frequent use of task forces would open the way to an eventual reduction in the number of committees. A more efficient use of volunteer resources would help the IAA tackle any future global challenges that the actuarial community faces.

RECOMMENDATION # 5

The IAA should take measures to improve transparency.

- The Executive Committee would explore ways of optimizing communications in order to grab the attention of Member Associations.
- The Executive Committee would circulate to the membership a brief report of its meetings within one-month of each meeting, in addition to the current disclosures relating to Council meetings.
- Regular communications on IAA activities (newsletters, bulletins, memos) would be created and circulated to the membership.
- Questions on various topics of interest would be regularly circulated electronically to the membership. The replies would provide the IAA leadership with the pulse of the membership and would help in the decision-making process.

Rationale for Recommendation # 5

Many Member Associations believe that the IAA leadership does not act in a sufficiently open and transparent manner. Measures to improve internal communications and adoption of this report's recommendations would help overcome this negative perception. The IAA leadership needs to recognize that this perception exists and that action is required to implement vigorous measures to promote communication.

Next steps

This report will be discussed at the Presidents' Forum meeting being held in Edinburgh on November 16, 2006. It is expected that the task force will be disbanded on November

16 and that the Presidents' Forum will decide which, if any, of the task force's recommendations will be submitted to the IAA Council for consideration.

Appendix A

Task Force on IAA Governance Members:

Australia	Martin Stevenson
Canada	Daniel Lapointe
France	Jean-Marie Nessi
Germany	Birgit Kaiser
	Michael Steinmetz
Greece	C.J. Koutsopoulos
India	R. Kannan,
Ireland	Aisling Kennedy
Israel	Ofer Brandt
Lebanon	Ibrahim Muhanna
Netherlands	Roland van den Brink
	Ineke Schoenmaker
Norway	Morten Harbitz
Poland	Renata Onisk
South Africa	Garth Griffin
USA	Kevin Cronin
	Peter Perkins

Appendix B

Comments from: Martin Stevenson, Australia

"There was discussion amongst members of the Task Force about the need for additional resources for the IAA's Secretariat. No consensus was reached and hence no recommendation on this aspect is included in the Report.

I wish to record my view that the IAA will not attain its full potential with-out additional Secretariat resources. More-over I consider that there is considerable evidence in the recent past of IAA projects progressing too slowly because of lack of Secretariat resources.

The way forward is for the IAA to complete a strategic plan. The need for extra resources will then become self-evident.

It is understood that any increase in resources will be accompanied by an increase in member association fees, and any such increase would need to be managed and communicated appropriately, and have regard to member associations' ability to pay."

Comments from: Roland van den Brink and Ineke Schoemaker, Netherlands

Essential for success is to have first discussions and an agreement upon the strategic values/issues members are willing and able to share as a community, and which not. The discussions in the task force have illustrated that there are still a lot of mixed opinions on this matter. The issues where members disagree are interfering with those issues where we feel there is a broad support such as on Education, Ethics, and (in some areas) Professional Standards.

In our view is the basis for an effective international representation a clear support from all members on the strategic goals and key-issues. We urge the IAA to identify those issues on a short notice to be able to make an effective move forward.

Comments from: C.J. Koutsopoulos, Greece

1. We need (a) an IAA endowed with considerable "worldwide federal powers" and with adequate delegation of authority to the IAA's "executive branch" and (b) an IAA "politically influential". Any norms imposed by the IAA will not affect the actuarially developed countries as they would automatically satisfy or exceed any norms the IAA could conceivably introduce. Developing associations on the other hand have no need of "independence". They are in dire need of (a) guidance and aid and (b) protection from recalcitrant legislators, incompetent supervisory authorities and reluctant local markets (and therefore in need of strong international pressure for quick implementation of the necessary reforms).
2. For the work above, and for other activities such as IAEP, public statements, dialogue with other stakeholders, standards of practice, etc., the IAA will need a great deal of funding. This should not come from the associations but from outside sources such as international developmental agencies, insurer associations, the EU, etc.
3. The IAA will also need a large staff specialized by type of activity.
4. All of the above presuppose a totally new "constitution" for the IAA (a question beyond the terms of reference of our Task Force).

Comments from: Peter Perkins and Kevin Cronin, USA

Congratulations to the Chair and members of the Task Force on IAA Governance for their good work and thank you to the Task Force for the opportunity to present these additional comments:

1. We disagree with Recommendation #1. The IAA's Executive Committee should have only those powers specifically set forth in the IAA's bylaws with all other authority reserved to the IAA Council. This is the common framework for associations. Recommendation #1 turns the common framework upside down. Further, Recommendation #1 concentrates too much authority in the hands of a few, which will exacerbate the tendency to breach the principles of subsidiarity and transparency.
2. We support Recommendation #5 but believe that transparency, which is at the heart of good governance and central to the longevity and credibility of the IAA, ought to be given more emphasis starting with placing it at the top of the list and recognizing that Recommendation #2 is key to improving transparency. The measures set forth by the Task Force to improve transparency focus on communication, which is a less important part of the overall issue. A more important aspect is the current IAA structure, which is now, effectively, a hierarchy of the Nominations Committee followed by Executive and then the Council. A hierarchy that would lend more support to transparency would be the Council, followed by Executive with a less intrusive role for the Nominations Committee, that is, one that does not include setting terms of reference for committees (as stated in Recommendation #2)

Comments from: Garth Griffin, South Africa

Recommendation #1:

It is submitted that there should be, whatever changes may be made to the role & responsibility of the Executive Committee, a greater emphasis on the accountability of the Executive Committee to Council. There are two key aspects to this:

1. The development of and agreement to a strategic plan by Council, as well as an annual plan or program to give effect to the strategic plan, is critical in this context. This is a key role of the Executive Committee.
2. For as long as the Executive Committee is simply a sub-committee of Council and continues to be chaired by the President (who is the Chairperson of Council), it is difficult to see sufficient “challenge” and accountability being brought to bear.

Recommendation # 3:

While the TF tables two options here, the fundamental question to be contemplated is this: What is being said about the effectiveness of Council as the governing body of the international actuarial community if another body is required to allow views from the member associations of the IAA to be tabled and discussed?

Recommendation #4:

While this recommendation no longer deals with the IAA Committee structure and their relationship to the Sections, it is submitted that there is a need for the IAA to review the relationship between its various Committees and the Sections, and to address matters of:

1. **Accountability:** The Sections, perhaps trimmed down, should be accountable to Council, via the Executive Committee, for the development of the profession’s activities in its area of competence and be required, as with all Committees to submit an annual plan for approval.
2. **Overlap:** Some of the current practice area specific committees could be perhaps better routed via the appropriate Sections.