



INTERNATIONAL ACTUARIAL ASSOCIATION
Presidents' Forum
November 17, 2012 – 13:30—17:00
Independence B Room

Minutes

Chairperson: Desmond Smith

List of Participants

See [attached list](#).

1. Welcome and Introduction

IAA President Desmond Smith welcomed all attendees. This was followed by an introduction from each participant.

The draft minutes from the meeting held in Los Angeles, United States, were approved as presented.

2. ERM Survey

Dave Ingram, Chairperson of the Enterprise and Financial Risk Committee, presented a preliminary report from the [ERM Survey](#) of the activities of various associations.

The following remarks were made:

- There is a need to interact with other organizations. Actuaries do not have the operational knowledge to go beyond insurance. Organizations need to be willing to collaborate with actuaries and work together as partners.
- A question on the above was included in the survey, but insufficient feedback was given, so it was not referred to in the presentation. It will, however, be included in the full report.
- Solvency II and ORSA will increase actuarial involvement in ERM, particularly in Europe. In France most Chief Risk Officers (CROs) are actuaries.
- In the United States (US), around half of the CROs of larger firms are actuaries. The general opinion of CROs (both actuaries and non-actuaries) is that the best way to staff this function is with a mixture of actuaries and non-actuaries i.e. different points of view, background and experience. There are a few roles that must be staffed by actuaries, but it is not always necessary.
- There is a place for more experienced actuaries, who are better able to use their judgement, as well as newly qualified actuaries, who have stronger mathematical skills.
- The qualities of a good ERM professional need to be identified and also how actuaries can acquire these skills.
- The topic of ERM deals with unstructured problems, rather than structured problems, which can pose a problem for some actuaries.
- The Canadian Institute of Actuaries has not included ERM in its strategic plan as they could not fully define what the role of the actuary would be in this area or identify why they would be the best profession to lead in ERM.

The Enterprise and Financial Risk Committee, AFIR/ERM Section and the CERA Board are jointly working on producing a knowledge base of papers and other materials to create a place for actuaries to find useful educational material on the topic of ERM.

Projects will be undertaken to create potential International Actuarial Notes on some major areas of practice, including risk evaluation and risk treatment, within ERM. A statement will also be produced noting the qualities of good ERM professionals, as suggested above.

3. IAA Paper on the Role of the Actuary

Dave Hartman and Thomas Béhar, Co-chairpersons of the Executive Committee's Role of the Actuary Task Force, presented the IAA [paper](#) on the Role of the Actuary.

The following remarks were made:

- The IAA can help in promoting actuaries as a reserved profession.
- Members of the Actuarial Society of South Africa are required to sign off on a pension fund or a life company valuation.
- Newer areas of the profession could be promoted i.e. ERM. Actuaries have competition such as engineers, economists in the newer areas where they do not have such a strong role.
- The role of an actuary could be described as covering eight fields: life insurance, non-life insurance, social security, pensions, health care, investments, education, regulation. The subject of risk can also be added to the list.
- A qualified actuary is backed up by professionalism, i.e. signing a code of conduct, and must also follow a disciplinary system.
- There are reserved roles for actuaries in Australia. The regulators are under pressure to abolish these roles; therefore they are reluctant to create more. Having reserved roles does not necessarily generate employment for the profession. Broadening the skills of actuaries would be of real benefit in Australia, as there are not enough jobs in the traditional areas for new recruits.
- The Academia de Actuarios de Puerto Rico is currently trying to persuade the commissioner to recognise the credentials of its members, rather than adopt the credentials of the US associations.
- In South Africa, non-actuaries also have to follow the standard set by the actuarial society, when undertaking the work of an actuary. It is important when meeting stakeholders to talk about the breadth of actuarial training and the fact that it can be applied in a number of areas. Non-technical aspects of training should be stressed, as well as the aspect of professionalism.
- There are many good comments in the value proposition paper, but portions of the document could be perceived as arrogant. No evidence has been provided to back up some of the statements. What is unique about actuaries? What sets actuaries apart from accountants, economists etc? The word "unique" is used three times in the document and this is not necessarily the case. The role of the actuary needs to be emphasized more in working in partnership with other experts, this will dispel the perception of arrogance of the profession that has existed for some time.
- There are software models available which produce results that actuaries are able to interpret, whereas non-actuaries not able to. The real value of an actuary is in communicating these results to the client. This was not addressed in the paper.
- The actuarial profession is not highly regarded by the industry in Taiwan. The Actuarial Institute of Chinese Taipei comprises life and general insurance sectors. Life actuaries have

quite a prestigious position in the market, however, on the general insurance side, the profession is not so highly valued by the industry, and because of this there is a shortage of actuaries in this sector. The association needs to promote the role of the actuary in the general insurance area. It may need the help of the IAA to do this.

- The actuarial profession itself is not supported by the state in Russia. Only some companies support the work of the actuary. It was noted that this paper could be used in discussions/negotiations with the state authorities, who do not understand the role actuaries can play and how they can be of benefit.
- In the Caribbean, there is a reserve for life insurance and pension-appointed actuaries; a new reserve role has been added for general insurance.

Participants were informed that a decision was made at the last meeting of the Strategic Planning Subcommittee to add branding as a new Strategic Objective, rather than replacing one of the current objectives.

Karel Goossens, Chairman of the Groupe Consultatif, thanked Thomas and Dave for mentioning the Groupe's position paper. He stated that the goals of the Groupe are the same as those of the IAA and that this demonstrates opportunities for coordination between the two organizations.

President Desmond Smith thanked Thomas and Dave for their Task Force's hard work.

Action Item

A survey will be circulated to association presidents for feedback within the next week (*Secretarial note: actioned*).

4. The Actuarial Profession's Engagement in Public Policy

Dave Sandberg, Chairperson of the Insurance Regulation Committee's ComFrame Task Force, introduced the topic of the engagement of the actuarial profession in public policy, asking how actuaries can engage in public policy as a way to raise the profile and identity of the profession. This introduction was followed by a lively discussion.

The following comments were made:

- Actuaries have credibility because of their technical expertise, but they often lose out to economists, lawyers and others with technical expertise.
- In the United Kingdom, the biggest criticism of the profession seems to be that actuaries have no profile. Feedback received by the association has shown that actuaries are perceived as very arrogant, have little value to add, and few resources.
- The UK actuarial profession has decided not to dictate policies, or issue any policy statements; its role is to provide data and evidence on which policy-makers can make informed decisions. Actions taken in the association's approach include:
 - changing the tone of voice used, particularly in responding to government consultations and regulatory consultations;
 - providing lots of data and evidence for any statement;
 - responding to deadlines;
 - meeting with government ministers, other regulators and industry groups of influence;
 - ensuring that the presidential team and subject experts are on hand to talk to the press/media;

- establishing a public affairs committee that vets every statement that is released;
- seeking to work in partnership with other organisations to ensure the best value;
- issuing a 6-monthly longevity bulletin; popularizing some of the statistics on longevity;
- improving consumer information on financial products and raising levels of financial literacy, by publishing research, writing articles, and prioritizing work.

In the area of pensions, there has been a lot of activity. Quite a bit of research has been commissioned into the evaluation of employer covenant for the sponsors of defined benefit pension plans; this will be useful for Solvency II purposes. The Minister for Pensions is reviewing defined ambition pension arrangements. Many actuaries are involved in the working groups undertaking this project. They are also involved with pension-related exercises that have a public policy perspective.

- There is no actuarial involvement in the Canadian public healthcare system, no analysis procedure costs, no efficient deployment of resources, and little analysis of how this system could be more efficient. A relationship has been developed by the Canadian Institute of Actuaries through the nurses' association, in one of the Canadian provinces, resulting in a project whereby costs and the delivery of certain procedures were analyzed. A Canadian actuary was commissioned to carry out the work and a report was submitted to the health ministry of that province, which was well received. The hope is that the government of this particular province will take this to the other health ministries across the country and they will realize the benefit of employing actuaries.
- There are very few formal policy statements in Australia which contain certain recommendations, and these are not very strong. There are various levels of public policy:
 - White papers—the association's practice committees decide the public policy issues that should be commented upon, these issues then go to Council for a formal decision. If agreed upon, the paper is reviewed by a public policy committee. This process takes approximately one year, and is followed when a group of actuaries is keen to argue a point, believing that the profession should be arguing it rather than them individually.
 - Discussion papers—ensure that any opinions or statements are based on sound reasoning, and are not necessarily supported by detailed analysis. A discussion paper typically takes a couple of months to complete.
 - Another level is the encouragement of individuals to write a short paper for controversial topics. The individual would then facilitate its publication, but it remains the responsibility of the individual member. This is a way of exposing controversial topics, but with a low reputational risk to the association.

The response from the members has been very positive; they feel much better supported, and proud of being actuaries.

- Netherlands—the Actuarieel Genootschap has hired a public affairs/relations manager.
- Ireland— The Society of Actuaries in Ireland is forming partnerships with insurers and jointly make submissions to government. It has formed an alliance with a think tank that funds the research, but the association has editorial control.

5. Other Business

A short film was shown to promote the AFIR-ERM/PBSS/Life Colloquium, taking place in Lyon, France from June 24–26, 2013.

A presentation was made to promote the next IAA Council and committee meetings, hosted by Het Actuariel Genootschap, which will take place in The Hague from May 22–26, 2013. This event will include a congress to mark the 125th anniversary of the association.

Also noted was the ASTIN Colloquium, taking place from May 21–24, the joint IAA/Groupe Consultatif education seminar on May 26-27, and the International Congress of Actuaries 2014 in Washington, March 30–April 4.

6. Next Meeting — Call for volunteers and topics for the next agenda

Suggested topics for the next agenda include:

- A presentation from a high-level representative from the IAIS on the topic of standards
- Presentations on areas in which associations are progressing successfully. For example, South Africa has been successful in introducing actuaries into the banking sector. Similar ideas could be shared.
- The UK profession is due to publish some research in January on the topic of *Limits to Growth*, which is in the area of climate change. This may be of some interest.
- The UK profession's progress on the topic of longevity.
- The ability to move into new markets in the United States.
- Evolution of the actuarial profession in Mexico

Any additional topic suggestions should be sent to [Rajish Sagoenie](#) of Het Actuariel Genootschap, who will lead the Agenda Task Force for this meeting.

7. Adjournment and next meeting

The meeting was adjourned at 4:45 p.m. The next meeting will take place on May 25 starting with lunch at 12:30 p.m.