

**Minutes**  
**Presidents' Forum Meeting**  
**May 28, 2006 – 8:30 a.m.**  
**Hotel Concorde LaFayette**  
**Paris, France**

IAA President, Jean-Louis Massé, welcomed all participants to this well attended meeting of the Presidents' Forum. All present were invited to introduce themselves; the [list of participants](#) is attached to these minutes.

**PLENARY**

**1. *Strategic Issues for the Profession***

At the previous Presidents' Forum in Rio de Janeiro, participants had discussed strategic issues facing the actuarial profession. The Chair thanked each of the volunteers involved in advancing discussions on the six topics identified for further development:

- Banking and Financial Management (Paul Braithwaite, United States)
- Risk Management (Tony Coleman, Australia)
- Education and CPD (Chris Daykin, United Kingdom)
- Branding and Marketing (Bob Beuerlein, United States)
- Operations and Governance (Martin Stevenson, Australia)
- Value Added (Michael Pomery, United Kingdom)

He then invited Martin Stevenson to address the Forum on the topic of Operations and Governance.

**2. *Operations and Governance***

Martin Stevenson introduced the topic with a [presentation](#) on the results of a survey he had conducted in April 2006 amongst selected representatives of member associations. It was decided that it would be worthwhile to collect the thoughts of all those in attendance, therefore Forum participants were given a few minutes to complete the same survey. The results were tallied onsite and are addressed later in these minutes.

Martin continued his presentation, suggesting that, with the IAA's current structure dating back to 1998, it might be time for a review of its governance and organization. Although the current structure had served well, the IAA was subject to outside forces, including globalization and the increased strength of multinationals, the move toward international accounting standards, the harmonization of regulations around the world, and the developments in one country having an impact throughout the rest of the world, such as the Morris Review.

The profession faced many challenges, including the move into new areas such as risk management and banking and finance, global risk management brought about by potential crises in pension under funding, and the need to encourage growth of the profession around the world. Was the IAA governance structure suited to meet these challenges?

The need to review governance was clearly evident from the results of the survey, both in April and onsite, therefore the formation of a task force on governance was recommended. The proposed task force would report its recommendations to the Presidents' Forum in Edinburgh. It was suggested that the membership include representatives from a variety of geographical areas and size of association.

Some opposition was expressed to the formation of any task force under the auspices of the Presidents' Forum because the decision-making body of the IAA was in fact the Council. Moreover, concern was expressed that committee members who volunteered considerable time to the IAA would be left out of the process.

The Secretary General pointed out that the Presidents' Forum, as a self-governing group, could form a task force if it so wished. From the point of view of the Secretariat, the officers would be available to provide information and support. He added that, in recent years, various documents had been produced on strategic planning, governance, operations and some reform of the IAA, with little feedback or reaction from member association, therefore he was happy to receive some comments from interested stakeholders. He felt that suggestions and ideas from the Presidents' Forum could be helpful in moving this dialogue forward and improving the decision-making process within the IAA.

It was further pointed out that there were advantages to having a body that was informal, provided that it was recognized that formal decisions were made by the IAA Council. The Presidents' Forum was currently an arena for informal discussion and putting forth ideas.

A vote on the formation of the task force was deferred until after the break to give participants the opportunity to review the results of the survey distributed at the meeting.

Martin Stevenson continued by listing the following items that the proposed task force could examine:

- the role of the Council, Executive Committee and Presidents' Forum, with a view to removing ambiguity
- areas where operational efficiencies could be achieved through the ceding of powers by local associations to the IAA; several participants emphasized that specific examples of powers to be ceded should be given
- the structure of the governing body
- the structure of committees and sections with a view to making recommendations in respect of the actual number of committees and schemes and their method of operation
- explore the possibility of different levels of IAA dues, rather than a flat fee per member, in order to assist smaller associations

- the extent (if any) that the resources of the IAA need to be increased to achieve any proposed restructure.

Following a break, the results of the morning's survey were addressed. Martin Stevenson concluded that most of the results were the same as those from the survey conducted online, other than a greater agreement to make the operation of sections and committees more efficient, greater disagreement for increased funding, and a consistently high agreement on the overarching recommendation about a need for review.

In view of these results, it was agreed by a large majority to proceed with the creation of a task force that would report to the Presidents' Forum. There was some suggestion that the task force should be chaired by either the IAA President or President-Elect (who also chaired the IAA Task Force on Strategic Planning), but in the end it was agreed that it would be preferable to have the task force chaired by a member of the Presidents' Forum, who would be more independent.

It was suggested that the task force be comprised of a wide cross-section of the membership and that they select a leader amongst themselves. It was agreed that the task force would include: Normand Gendron (Canada), Ibrahim Muhanna (Lebanon), R. Kannan (India), Constantine Koutsopoulos (Greece), Martin Stevenson (Australia), Morten Harbitz (Norway), Colm Fagan (Ireland), Ofer Brandt (Israel), Adrian Baskir (South Africa), Peter Perkins (United States), Jean-Marie Nessim (France), Michael Steinmetz (Germany), and a representative from The Netherlands. Smaller associations were urged to participate actively in the discussions and to make their views known. (*Secretarial Note: The Task Force held its first meeting during lunch at which time the composition of the task force was somewhat modified to include individuals who had the time to dedicate to this task.*)

### 3. **Education**

Chris Daykin made a presentation on the proposals developed by the Task Force on the Feasibility of a Global Actuarial Qualification, which formed part of the agenda for the Council meeting on May 28.

The Secretary General described the process for consideration of the motion at agenda item B11 for the upcoming Council meeting. He explained that, if the motion were passed, it would be necessary to seek approval, through an electronic vote of Council, of interim terms of reference for the proposed IAA Education Program Committee (IEPC). In the absence of any terms of reference, the IAA could not proceed with a feasibility study and progress on this project would be delayed until Edinburgh. As a next step, the Nominations Committee would develop the full terms of reference with input from the IEPC, taking into account the results of the feasibility study. The assembled documentation and proposed full terms of reference would then be submitted at the Edinburgh Council meeting.

Although in favour of moving forward with a feasibility study, the IAA was cautioned to be careful with the limited human resources available to it and the unintended consequences arising from the use of these resources. Part of the funding could be used to subcontract some of the work for the development of this program. The dilemma would be

that those currently volunteering for their local associations on education-related projects would be more inclined to work for pay on the international education program, with the unintended consequence that local projects could suffer. This should be addressed in the feasibility study to ensure that the IAA education effort could co-exist with the projects of other associations throughout the world.

Another participant urged the IAA to bear in mind that there were other issues worthy of at least the same attention. As an example, if interest rates were to drop again worldwide, this would be of major concern to the actuarial profession and there would be severe consequences.

The President took the opportunity to emphasize that the Presidents' Forum was open to suggestions for future discussion topics and, if someone wished to prepare a paper on the plunging of interest rates, for example, they would be welcome to present it for discussion in Edinburgh or at a future meeting.

It was pointed out that the current cost of international examinations was, in some countries, too high compared to the income level of actuaries. In other countries, language posed a problem. If the international education program could keep affordability in mind and if the Chinese language could be used, then that would be a positive development for Asia.

Other questions raised during the discussion include:

- How would the international education program compare to the European Actuarial Academy, a program with similar intentions? It would perhaps be worthwhile to examine other initiatives so that the IAA program did not negatively impact other worthy programs.

Chris Daykin praised the excellent efforts with regard to continuing professional development in Central and Eastern Europe. However, it was only learned in April that the Academy had intentions of going into the actuarial examination business. He pointed out that the Academy could be seen as a potential subcontractor, such as the Society of Actuaries might be, or any other organization that had in place the ability to run examinations in some part of the world.

- There was a need to identify the target customers for the program and their needs.

Chris Daykin responded that, in fact, the IAA had considerable knowledge of the market. He cited his own experience of working in over 75 countries on actuarial education issues and that of Ibrahim Muhanna, who had produced a paper on actuarial needs in different countries. In the last few weeks alone, the IAA had had consultations with the Chinese, Russians, Indonesians, Indians – all potential large markets – French West Africa, Central/Eastern Europe, etc.; such consultations were ongoing.

- Was the current structure of the IAA appropriate for the governance of this major new departure for the organization? There were concerns about the pace at which the

initiative was moving forward, particularly in light of the scale of the resources required to support it.

The President responded that such concerns had been expressed to him as well. The IAA response going forward was to proceed step-by-step, starting with the feasibility study and a report to Council in Edinburgh, followed by the collection of information and encouragement of discussion amongst as many groups as possible. The IAA was conscious of the limits of its human and financial resources, and of the need to proceed at a pace acceptable to the World Bank and IAA membership.

The Secretary General underscored the importance of the feasibility study in answering these concerns. In looking at the IAA's current membership, it would be fair to say that associations with fewer than 1000 members would welcome some type of support for their education systems, perhaps in varying degrees. We were looking at approximately 45 members, at least half of which were in need of support to meet the education requirements for membership in the IAA. In addition, most of the IAA Associate Members and beyond that, potential new members, were in need of some form of support. Therefore, if there was a desire for the actuarial profession to be global in its reach, established in a larger number of countries, with an increase in the quality and quantity of actuaries, then the IAA was fortunate that the World Bank was willing to fund this initiative.

The benefits of this project would percolate from developing countries to many of the IAA members and, if it were successful, it would enlarge the scope and penetration of the actuarial profession. Some risk would remain, but we would be in a much better position in Edinburgh to appreciate the risk/reward of the program.

The intent was to implement a project management structure that would operate separately using the dedicated funding to ensure that the actuarial profession and future members were well-served without any negative impact on the current members.

It was pointed out that, through its funding of this project, the World Bank would become an active partner with the actuarial profession thereby providing actuaries the world over with better opportunities for an expanded role in the financial industry, not only in the insurance industry, but also in banking, social security and pensions.

Other participants voiced their support for the development of an education program and several emphasized the key elements of subsidiarity, not reinventing the wheel or competing with existing systems, transparency in the origin and dissemination of funds, and a sound framework.

Chris Daykin reiterated that the proposed system was in no way intended to undermine existing structures, the system being entirely voluntary and more of a supplement to existing resources.

#### ***4. Risk Management***

Tony Coleman briefly updated the Forum on material discussed during the Rio de Janeiro meeting. Details are available in his [presentation](#) available on line. The main message was that risk management was a rapidly growing area of great interest to actuaries. For example, the joint Risk Management Section of the Society of Actuaries and Casualty Actuarial Society already had 2200 members with approximately \$20 in annual dues per member. For the third year in a row, a successful joint SOA/CAS/PRMIA conference was held. We were watching the emergence of a new discipline closely related to the actuarial discipline, but where the education requirements and professional standards were still being settled. This presented an opportunity for the actuarial profession to seriously influence the way in which the new discipline emerged.

The seven key issues identified in the presentation were discussed during a break-out session. Tony Coleman conveyed his appreciation for the balance of views expressed during the break-out. The emerging role of the chief risk officer was discussed, particularly in financial service organizations, but also more generally. It was agreed that it would be beneficial to provide a framework and structure to assist actuaries aspiring to the chief risk officer position. Such structure would ensure that they would become the preferred candidates for these roles. This position was driven in the marketplace by quantitative skills – the crucial element in doing the job; therefore, it was a role that actuaries could move into. It would be preferable for actuaries to fulfill those roles, rather than having them only perform the required quantitative analyses. The actuarial profession must build on the work already started by the ERM International Institute and the Risk Management Section in North America to effectively internationalize the activities of the two bodies in order to provide support to a number of smaller actuarial associations. The formation of a task force to move forward on this issue was suggested.

## **5. Value Added**

Michael Pomery introduced this topic with a discussion of stakeholders in the IAA and the IAA's relationships with them. The [survey on this topic](#) asked respondents to consider what a stakeholder would need from the IAA, what the IAA currently was doing to meet this need, and what the IAA should do in future to meet this need.

Five themes emerged from the survey:

- The importance of the IAA as a forum to discuss common problems and exchange experiences.
- Smaller associations required assistance from the IAA in many areas, such as training future actuaries, drawing up codes of conduct and disciplinary schemes.
- The need for improved communication from the IAA down to individual actuaries.
- Support for actuarial branding.
- A desire for more regional groups.

The President commented that the Value Added paper could be of interest to the recently created task force on governance.

## **6. Banking and Financial Management**

Paul Braithwaite opened his remarks by thanking all 22 organizations that had responded to the [survey](#) his group had issued. It was important to note that some respondents considered insurance companies to be financial institutions, while others did not. A very significant number of actuaries worldwide were working in the banking and financial institutions sector. Items put forth for discussion in the break-out session included:

- Do we as representatives of the global actuarial profession want to expand the field of what we do?
- Should this be a high priority initiative?
- Was this survey representative of what was going on in the world or not?

Next steps to consider:

- Identify specific areas of focus for actuaries in the banking and financial services industries.
- Determine whether the existing education system, including Continuing Professional Development, satisfied the current needs or whether a review was required.
- How should actuaries market their skills in these new fields if this was something they decided to pursue?

Following the break-out sessions, Paul Braithwaite reported that three topics had been discussed.

#### 1- Where are we today?

It was noted that the results for Japan were somewhat misleading as actuaries working at trust banks were counted as performing non-traditional actuarial work; however, they primarily performed pension work. It was further noted that, in Austria and possibly in many other countries, many of the best students with actuarial degrees were going into the banking and finance field. Although they worked in an actuarial field, they did not benefit from (or incur the cost of) membership in a professional society.

#### 2- Should we expand into this area?

The following three arguments were made for expanding the actuarial profession to bring in these professionals:

- the IAA, through its AFIR Section, largely created this field and it would be a shame to lose it now
- this field was a natural for actuaries
- such expansion would make actuaries a more meaningful profession around the world.

Potential negatives included a concern that the value of the actuarial profession would be lowered if it allowed for a different class of member, current members could worry about their own lack of training in financial mathematics, and the fear that modifying the existing education system would compromise the quality of offerings for current members.

### 3- What are our options?

The following options were put forth:

- “Let Mexico do it.” The idea would be to allow Mexico, with its 3000 practitioners in this area, lead the way to organizing these professionals in Mexico to make them part of the actuarial profession.
- Put a greater focus on financial mathematics, perhaps by making it a key part of Continuing Professional Development.
- Co-sponsor seminars with these practitioners, (an example would be the Bond Market Association).
- Plan seminars where our colleagues could discuss the advantages of joining the actuarial profession as members. Austria was planning to do this.
- Urge AFIR to be more pro-active.

If we do nothing, at some point there will be a new profession – something akin to actuaries – in the financial/banking world that could result in a bigger worldwide association than the IAA. We must take the threat seriously, embrace these practitioners and grow our profession.

One member suggested strengthening point 2 to say that the actuarial profession is identified as being the unique group of people who spend all of their time dedicated to understanding the quantification and evaluation of financial risk. Although the profession had been substantially in the insurance side, it should be present in any other business that involved future risk. As the essential profession involved in the quantification of financial risk, it was our public duty, in addition to our own desire, to move in that direction.

A question arose as to what extent this subject was related to the AFIR Section. If AFIR were considered to have largely founded this discipline, then why was expansion necessary? Perhaps we need to use what we already have and make it work. The President stated that he saw merit in making AFIR aware of the comments put forward today so that they could become more pro-active.

It was reported that the Australian experience was that actuaries in the banking and finance area had made their names as brilliant individuals and not necessarily as actuaries. They had been retained by the banks and finance companies because of their expertise in financial analysis, and their usefulness to the companies. That they were actuaries was a secondary consideration. By and large, those that qualified as actuaries and then moved into finance were retained by the Institute as members. Those that did brilliantly at university, went through the basic actuarial techniques but were hired by investment banks before they were fully qualified, were lost by the Institute (and these were a very high proportion).

## **7. Branding and Marketing**

Bob Beuerlein informed the Forum that the Society of Actuaries was spearheading a branding effort with the support of the other North American actuarial associations. He cited several examples of successful branding, such as Intel, Starbucks, and the Chartered Financial Analyst (CFA) Institute, which had grown five-fold in the last 20 years (now at 67,000 members). It was often the intangibles which defined a brand: the brand promise, word of mouth, past experience and reputation. A brand promise was needed for the actuary. Details are available in the Branding and Marketing [report](#).

Items for discussion in the break-out session included:

- Which message would fit into your organization?
- Would the brand promise support your organization or was a different type of brand promise needed?
- What was the biggest challenge in getting messages like this through to the members of our associations?

Following the break-out, Bob Beuerlein summed up their session by saying that, although machines could solve problems, we needed to stress that actuaries were highly skilled, high-integrity professionals with the public interest in mind. To achieve the goal of changing the perception of actuaries, one step would be to collect and distribute success stories (through the IAA) so that we could all build on each others' ideas. It should be possible to adapt the branding and marketing program to all of the IAA's member associations. The Society of Actuaries would like to make this information available to everyone at the Presidents' Forum. He pointed out that the web site [www.imageoftheactuary.org](http://www.imageoftheactuary.org) contained tools to develop the image/brand of the actuary. Further details were also available through Cheryl Krueger, Chief Actuary, Society of Actuaries.

One participant theorized that it was perhaps due to a lack of creativity that the actuarial profession was as small as it was.

The President thanked the six discussion leaders for their reports. The subjects would be revisited in the future, and it was hoped that there would be progress going forward. He encouraged participants to submit discussion topics for the next meeting in Edinburgh.

## **8. *Standards of Practice***

It was not possible to discuss standards of practice in detail due to the shortness of time. The President indicated that the subject would be discussed in Edinburgh, especially the aspect of member associations creating local standards of practice. Roughly half of IAA Full Member associations did not have standards of practice. While not a requirement to join the IAA, standards of practice were important to our global reputation and image, and encourage best practices. The President left participants with this question: How can we improve the actuarial profession worldwide on the standards of practice front?

## **9. *Adjournment and Next Meeting***

The meeting was adjourned at 2:45 pm. It was agreed to hold the next meeting in Edinburgh in November, prior to the Council meeting.