The International Actuarial Association

Paul Thornton, President

MOVING THE PROFESSION FORWARD INTERNATIONALLY

IAA Sections

Individual actuaries should join a Section to get involved and broaden their horizons

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By 2006 we should have learned about:

- (I)liquidity
- Leverage (investments banks 30+:1)
- Model uncertainty
- Non-normality, Extreme events
- Regulatory arbitrage
- Off-balance positions, OTC (shadow banking)
- Greed, Non-rationality, Human factors
- Short-term financing of long-term risks
- Accounting deficiencies
- Global financial networks, IT vulnerability
- Etc … etc …

Actuaries understand

1. that risks seldom are normally distributed.
2. that models need to be recalibrated as new data become available.
3. that ‘models drift’ occurs as use of models influences market behaviour
4. that ‘spirals’ occur. Slicing, dicing and repackaging risk multiple times can lead to the ultimate holder of risk not understanding and not managing its risk exposure.
5. the challenges of valuation where no deep market exists.
6. the importance of the long-term view in making short-term decisions.
7. the ‘actuarial control cycle’ as a framework for updating and overall management of models.
8. the importance of transparency of producing reports.
9. professional standards as guideposts for professional practice.
10. the quasi-fiduciary role they play in the lives of those who rely on them.

Source: “Actuaries would have made a difference,” W. James McGinnitie, *Beyond Risk,* Fall-Winter 2009.

Conclusions

1. New focus of insurance regulation: systemic risk
2. Definition of systemic risk
3. Systemic risk for insurance business
4. Supervision of internationally active insurance groups and cross sectoral coordination
5. Co-operation between IAA and IAIS is critical

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