Pre-Council Webinar

For the Council meeting on November 21, 2019 in Tokyo

Speakers:
Gábor Hanák, IAA President
Charles Cowling, Chair, Renewal Task Force
Mathieu Langelier, Executive Director

October 31, 2019
Welcome!
Opening remarks by President Gábor Hanák

The purpose of this webinar is to preview certain topics that will be discussed at our in-person Council meeting in Tokyo.

We will not do a roll call of participants. The attendance list and recording of webinar will be sent afterwards.

We will set aside 5 to 10 minutes at the end for questions or comments. Please use the WebEx Question & Answer facility for this.
Today’s agenda

1. Welcome remarks
2. Brief overview of the Tokyo meetings (November 18-21)
3. Council Agenda – November 21
4. More background on some of the topics
   • IAA Renewal
   • Climate Risk Initiative
   • ISAP 4
   • 2020 Budget
5. Questions or comments
Brief overview of the Tokyo Meetings

November 18-21
Overview of the Tokyo Meetings

Sunday, November 17
- Seminar: Longevity Inside and Outside Japan; a joint seminar hosted by the IAA’s Population Issues and Mortality Working Groups and the Institute of Actuaries of Japan (IAJ)

Monday, November 18
- Presidential Town Hall (08:00 – 10:00)
  IAA Renewal

Thursday, November 21
- Members Forum / Pre-Council Discussion (08:00 – 12:30)
  IAA renewal; Climate Risk Initiative; Nominations Committee presentation; IAJ presentation
- Council (14:00 – 18:00)

Saturday, November 23
- IAJ Special Meeting celebrating 120th anniversary. Sessions organized by IAJ, CERA Global Association, ASTIN and AFIR-ERM Sections. Keynote speeches by SOA and IFoA.
Everyone is invited to attend - no registration or cost to attend.
Council Agenda
Thursday, November 21
Council Agenda

Consent agenda

• Ratification of Executive Committee’s appointments and reappointments

• Results of electronic ballots since May 18, 2019 Council Meeting
  – Admit the Actuarial Association of Mozambique as an Associate Member
  – Admit the Association Tunisienne des Actuaires as an Associate Member
Council agenda

Statutory committee reports
• President and Executive Committee
• Nominations Committee
• Audit and Finance Committee and Administration
  – Report from the acting Chair of the Audit and Finance Committee
  – Appointment of auditor – for approval
  – Financial policies – for approval
  – 2020 Budget – for approval
Council agenda

Business agenda

• IAA Renewal: top-down governance proposals - *for approval*

• IAA Renewal: bottom-up structure proposals - *for discussion*

• Actuarial Standards Committee
  – ISAP 4 – *for approval*
  – Amendment of the Due process for ISAPs – *for approval*

• Change of Officers

• Future events
IAA Renewal
Top-down governance proposals: voting
Bottom-up structure proposals: discussion
RTF View

- Council should remain sovereign
- Strategy should be handled by a smaller and FMA represented body
- There is a need for a separation of strategy and execution
- EC is over worked and spends too much time “fighting fires”
- Nominations and Audit and Finance perform important work and should remain in a similar capacity to their current role
Key issue

• Current Council is too big to be effective and does not allow time for deep discussions
• The Executive Committee consists of “IAA hat” members
• There are serious issues where FMAs have different views such as:
  ▪ what concrete strategic initiatives would best serve the high-level Strategic Objectives?
  ▪ should the profession grow worldwide where it does not exist?
  ▪ should we embrace a wide diversity of actuarial topics/initiatives?
  ▪ what should be the future role of ISAPs?
There is a need to create a new body that:
- is a subset of Council;
- is much smaller than Council, allowing for effective discussions and settling controversies;
- still broadly representative of the diversity of Council;
- does not make decisions on behalf or instead of Council; and
- consists of FMA representatives.

The RTF recommendation is to create a Strategic Planning Committee (SPC).

Key principles now agreed and presented in Tokyo for approval.

The RTF has also developed proposals on the structure of the IAA which will be presented in Tokyo for discussion.
Governance solution: The creation of an SPC

- FMA representation
- Diversity of views
- Ability to work out consensus or compromises
- Can scrutinise work before it is given to Council for eventual decision
Key elements of the proposal to create the SPC

- The FMA populated SPC recommends strategy to Council – no decision making, no operational tasks
- Transfer all strategic matters from EC to SPC
- Although no direct decision making power, if SPC works properly its recommendations will meet Council’s view
- No changes to Council, Nomination Committee, Audit and Finance Committee
Key principles agreed
SPC composition

• 12 member FMAs initially appointed by random selection and approved by Council. Selected amongst 3 Tiers by size (750-; 750-5000; 5000+ MWAC)
• Four year terms of office to allow for effective rotation
• Chaired by Immediate Past President. Other Officers and Executive Director attend as non-voting ex-officio members
• General agreement on the need to have observers, unlimited in number (subject to any necessary practical constraints), but limited to one delegated observer per FMA
• Necessary balance between the need to keep the SPC small and effective while allowing FMAs who want to contribute the chance to do so
The Motions

B10. RENEWAL TASK FORCE

a. Top-down Governance Proposal
Motion: (four-fifths majority vote required)*
That, on the recommendation of the Executive Committee, Council approve the proposed changes to the Statutes as presented.

b. Motion: (four-fifths majority vote required)*
That, on the recommendation of the Executive Committee, Council approve the proposed changes to the Terms of Reference of the Nominations Committee in the Internal Regulations as presented.

c. Motion: (two-thirds majority vote required)*
That, on the recommendation of the Executive Committee, Council approve the proposed changes to the Internal Regulations, except for the changes to the Terms of Reference of the Nominations Committee as presented.

d. Motion: (simple majority vote required)*
That, on the recommendation of the Executive Committee, Council approve the proposed Protocol for the selection of the Strategic Planning Committee members as presented.
Entities of the three Missions of the IAA

**Impact Mission**
Executive Committee, Relationship Managers

**Assure Mission**
Assure Committees

**Advance Mission**
Advance Committee, Forums

Sections
Operations Structure – Key issue

• Current IAA structure has grown significantly over the years.
• The huge number of activities undertaken means that there is little oversight or management from the officers or EC. Moreover their time is often absorbed by “fighting fires” around activities that are causing problems.
• FMAs have expressed concern about their inability to have visibility over all IAA activities. It is not clear whether many activities have been FMA led or led by enthusiastic individuals.
• FMA engagement (and delivering value to FMAs) is an important priority for the IAA.
• More focus is needed on core IAA strategic objectives, in particular our desire to maximize our impact with key supranational organizations.
• With the departure of the AAA there is an increasing need to reduce costs and activities (or increase subscriptions).
## Definitions and Examples

<table>
<thead>
<tr>
<th>‘Do’</th>
<th>‘Share’</th>
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</thead>
<tbody>
<tr>
<td>• Actions that will be commissioned by EC of Operations entities</td>
<td>• Activities that entities will have responsibility for conducting</td>
</tr>
<tr>
<td>• Actions with specific objectives and/or timeframes</td>
<td>• Activities that are not time-limited</td>
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<tr>
<td>E.g. Education Committee: <em>Develop and update the actuarial education guidelines and syllabus</em></td>
<td>E.g. Education Committee: <em>Share best practice in attaining the IAA education syllabus standard</em></td>
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<tr>
<td>E.g. Actuarial Standards Committee: <em>Develop new model international standards of actuarial practice</em></td>
<td>E.g. Professionalism Committee: <em>Support the development of professionalism, through professional standards</em></td>
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What this means for operations:

<table>
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<tr>
<th>‘Manage’</th>
<th>‘Do’</th>
<th>‘Share’</th>
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</table>
| • Greater emphasis on Strategic Objectives will increase efficiency and provide clear demarcation of responsibility. | • Strategic activities will be under direct control of Governance  
• Entities are focussed in their objectives, and oversight comes direct from EC and Council  
è ‘Task Forces’ | • Technology maintains contact when strategic activities are not being undertaken.  
• This provides the fora for engagement on specific areas of interest  
• This provides a pool of ready experts when strategic activities are commissioned.  
è ‘Forums’ |

è The large majority of IAA entities become either Task Forces (“doing” entities) or Forums (“sharing” entities). Committees are largely reserved for entities who are just managing other IAA entities.  
è Terms of reference are narrowed to focus on either “managing”, “doing” or “sharing”
• It seeks to maximise the benefits of the restructure of the IAA, looking particularly at focus and efficiency.
• The ‘Do’ versus ‘Share’ approach is designed to solve the discussions around meeting attendance, and maintaining a ready pool of experts to carry out actions for the IAA where required.
• Maintaining participation in the IAA in support of strategic objectives will be prioritised.
• An emphasis on virtual meetings means that FMAs will be able to have many more IAA delegates, particularly the smaller FMAs who can’t afford to send large delegations to the IAA.
A note on Sections

- It is hoped that Sections will have an important role to play in the establishment and operation of Forums.
- Sections should continue to support the development of the global actuarial community, and lead the efforts of individual experts in furthering the profession.
• Statutory committees, Assure committees, the IRC and the IAC will all continue to work as in the past, but with greater focus on core strategic objectives

• The Advance Committee will provide direction and oversight to Forums and those Task Forces which report to the AC.

• They are permanent entities, with rolling objectives.
The Advance Committee’s Terms of Reference

• Purpose to encourage and promote the development of actuarial knowledge and expertise by providing oversight and direction to Forums and Task Forces
• Reports to EC on the work of Forums and Task Forces
• Works with Relationship Managers to assist the IAA in its engagement with key supranational organizations
• Recommends to SPC or EC new initiatives or IAA entities
How Forums Work

- Forums will report to the Advance Committee
- Their principal tasks will be to share knowledge and expertise and suggest IAA projects for the Advance Committee’s consideration.
- Any IAA project that might be recommended by a Forum will go to the Advance Committee for their approval.
- The Advance Committee will decide whether it should be undertaken (possibly by a Task Force) and will oversee it.
- The Forum will provide resources (with others such as FMAs) to complete the project.
- Representation at forums will be one endorsed FMA delegate per association, and unlimited endorsed FMA participants, plus an appointed Section Liaison from each relevant Section.
- Participation in face-to-face meetings will be limited if necessary to FMA delegates and Section liaison only. Meetings to occur once annually.
- Participation in virtual meetings is limited to FMA endorsed delegates and endorsed participants, and relevant section liaisons. Virtual meetings may occur more than once annually.

<table>
<thead>
<tr>
<th>Operates like a Facebook Group</th>
<th>Yes</th>
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<tbody>
<tr>
<td>Open to one (only) FMA rep</td>
<td>No</td>
</tr>
<tr>
<td>Open to any FMA reps</td>
<td>Yes</td>
</tr>
<tr>
<td>Open to Section rep's</td>
<td>Yes</td>
</tr>
<tr>
<td>No dollar cost to join</td>
<td>Yes</td>
</tr>
<tr>
<td>Has an agenda</td>
<td>Yes</td>
</tr>
<tr>
<td>Produces IAA work products</td>
<td>No</td>
</tr>
<tr>
<td>Purpose?</td>
<td>Connect FMAs and other experts supported by FMAs to share information. Suggest IAA work products. Provide resources for IAA work products and to support relationship managers</td>
</tr>
<tr>
<td>Holds face to face meetings?</td>
<td>Limited</td>
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Forums: Proposing Initiatives

• Forums to be allowed to propose projects and initiatives to Advance Committee
• Proposals are to be presented by Forum Officer(s), but may be drafted by a broader informal working group, composed of relevant interested Forum and Section members
• Process is:
  – Forums can encourage informal working groups of interested members to propose projects to recommend to Advance Committee,
  – If the Advance Committee approves the plan, it forms a Task Force to carry it out. Advance Committee appoints people to the task force, and has oversight of its work, and checks delivery of its output.
  – Advance Committee is responsible for commissioning the Technical Peer Review of IAA outputs
  – Sections may propose ideas to Forums to be worked up via this process. Un-commissioned projects may be carried out independent of the IAA by individual Section members.
Purpose
• Simple purpose to allow FMAs to share knowledge and expertise

Role
• Provide a forum for FMAs to exchange knowledge and latest developments in the area of [ ]
• Support FMAs developing expertise in the area of [ ]
• Respond to requests for information
• Recommend IAA projects and when appropriate assist in providing resources for projects
How Task Forces Work

- Task Forces will report to the Advance Committee (or other standing Operations Committee – e.g. Education).
- Their principal tasks will be to deliver output on an agreed work plan.
- Task Forces do not have to be time limited, but would have narrowly defined “doing” objectives linked to IAA strategic objectives.
- Task Forces would have to produce an annual work plan for approval.
- Once a Task Force has completed its work it is dissolved unless it proposes a new work plan which is then approved.
- Members of Task Forces will in most cases be appointed by FMAs, unless specific technical expertise is required.
Task Forces Terms of Reference

Purpose
• Simple purpose linked to IAA Strategic Objective

Role
• List of tasks and outputs as defined in their agreed work plan.
• Arrangements for dissolution on completion of work plan
‘Assure’ Leadership

• Separate committees for Education, Membership, Advice & Assistance, Professionalism
• Committees meet in person annually
• Leadership group (4 Chairs + EC reps) comes together virtually more often, as appropriate to share agenda and activities
• No separate forums (for now) but with strong encouragement for sharing activity to occur virtually in most circumstances.
<table>
<thead>
<tr>
<th>Old Entity</th>
<th>New Entity/ies</th>
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<tbody>
<tr>
<td>Practice Committees</td>
<td>Forums</td>
</tr>
<tr>
<td>Statutory and other Operations Committees</td>
<td>Standing Statutory / Operations Committees</td>
</tr>
<tr>
<td>Working Groups</td>
<td>Forums</td>
</tr>
<tr>
<td>Scientific Committee</td>
<td>Advance Committee</td>
</tr>
<tr>
<td>All other entities with definable objectives</td>
<td>Become Task Forces</td>
</tr>
<tr>
<td>Other entities</td>
<td>Removed</td>
</tr>
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Further explanatory notes

- IAC and IRC will remain Committees, with two meetings per year initially.
- PBAS will become a task force
- The regional subcommittees will become task forces
- Forums and Relationship Managers will perform the horizon scanning roles
- Advance Committee will be alerted of upcoming issues
- A rapid reaction process will be set up for issues requiring urgent attention
- Advance Committee will create task forces to address issues, formed of relevant experts from Forums and RMs
Proposed Structure Simplified

Governance
- Audit and Finance Committee
- Nominations Committee
- IAA Presidential Officers
- Communications Subcommittee
- Executive Committee
- Strategic Planning Committee
- IAA Secretariat

Operations
- RM
- Council
- Sections
- Governance
- Operations
- Membership Committee
- Professionalism Committee
- Actuarial Standards Committee
- Education Committee
- Advise and Assistance Committee
IAA Meetings

- Two in-person meetings of the IAA per year
- One ‘large’ and one ‘small’ meeting per year.
- One large meeting would feature all committees and forums
- One small meeting featuring main governance committees but other committees with heavy workload can request additional meeting
- Operational collaboration with Section colloquia TBD
- Most sharing functions of committees done virtually ➔ Reducing need for face-to-face meetings and increasing potential participation from FMA delegates
Climate Risk Initiative
Climate Risk – Statement of Intent

• Climate-related risks have the potential to seriously affect the entire world
• The effects of climate-related risks are now actively being considered by governments, regulators, the insurance and reinsurance industries, pension plans and other entities around the world
• Several global/high-level groups have already provided important direction on potential financial sector responses to these risks and supranational organizations are actively addressing this topic and have approached the IAA for input and meaningful engagement
Climate Risk – Statement of Intent

• Addressing climate-related risks presents an opportunity for the actuarial profession to broaden the scope of its contributions to risk management.

• It is very much in line with IAA’s mission and vision as it will help the IAA place actuaries as globally recognized leading experts in risk management, while also contributing to the well-being of society.

• EC has created a task force to work out a Statement of Intent (SOI) for the future work of the IAA – for discussion amongst our FMAs.

• The SOI was sent to Council on October 21 for consultation; comment deadline is December 31, 2019.
ISAP 4
ISAP 4 – IFRS 17 Insurance Contracts

• This model standard is perhaps the most important achievement of the ASC
• The adoption will be a milestone in the IAA’s efforts helping IFRS 17 implementation
• The Statement of Intent was issued for consultation in November 2013 and was approved in September 2014
• Two exposure drafts were issued in February 2018 and in February 2019
• The “fatal flaw” consultation ended in August 2019
• The IAA leadership highly appreciates the work of the ASC and its ISAP 4 task force for their enthusiastic and productive work
2020 Budget
IAA 2020 Balanced budget, based on the same rate of $18.75 per MWAC (rate has not changed for 5 consecutive years and will need to be reviewed in 2020)

- Reduction of income of $252,000 YoY
  Due to the departure of the AAA
- Overmatched by a reduction in expenses of $271,000 YoY
- The only main increase is in IT investment in order to properly support future Forums and online engagement tools.
- A note on funds: the Special Fund used to finance A&A Seminars has only $28,000 left before it dries up. The ICA 2018 fund income of $45,000 will start to be used in 2020.
Questions & Answers