Vienna

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This Special Newsletter reports on the discussions and action items arising from the recent IAA Council and Committee meetings held in Vienna, Austria from October 9 to 13, 2010. These meetings were attended by a record 280 delegates who participated in 53 different meetings filling 77 time slots over a period of 4.5 days.

**IAIS Chairman addresses Council**

The highlight of these meetings was an address by the Chairman of the Executive Committee of the International Association of Insurance Supervisors (IAIS), Peter Braumüller, to the Council, who encouraged the IAA to step up to the challenge of issuing International Actuarial Standards. A news release reporting on his message to the global actuarial profession was issued on October 28.
IAA Medallist

Secretary General, Yves Guérard, was honoured as the fourth recipient of the Medal of Distinction of the IAA. Yves will be retiring as Secretary General of the IAA on December 31, 2010, after more than 13 years in this position. As is appropriately inscribed on the plaque of recognition, “your keen insight, vast knowledge, and positive nature enabled the profession to work together across borders and cultures to fulfill our universal commitment to serving the public interest”.

President’s Report

The President’s report focused on the following points:
- Implementation of governance changes, with a Communications Subcommittee created by the EC, and Working Groups for Microinsurance, and Population Issues launched
- News release initiative, under which topical News Releases are being issued to the distribution lists every two weeks or so, including to Supranational Organisations
- Work of the EC since the restructure and going forward
- Strategic focus on the Convergence of Actuarial Standards, the Role of the Actuary in ERM and Education Goals
- Progress with the implementation of the strategic objectives
- Outreach to Supranational Organisations, including OECD, IAIS, IASB, World Bank, IMF, ILO, ISSA, WTO, Geneva Association
- Upcoming issues: Climate Change, Islamic Insurance.

Secretary General’s Report

The Secretary General’s report addressed the following points:
- Update on recent increase in resources at the Secretariat
- Requests for proposals: auditors, asset managers, information technology assessment
- Review of insurance coverage
- Summary of activity indicators
- 2009 audited financial statements
- 2010 year-end: projected surplus of $60,000 CAD
- 2011 budget

Audit and Finance

Council approved:
- The proposed budget for 2011
- The firm of Watson, Folkins, Corey LLP as the auditors for 2011 for the audit of the financial statements at December 31, 2010
- The audited financial statements for the year ended December 31, 2009
Special Fund

Council received a paper recommending the creation of a Special Fund to facilitate the participation of smaller member associations to IAA activities. The recommendation has been approved by the Executive Committee and provision is included in the 2011 budget for implementation.

Convergence of Actuarial Standards

The Report of the Task Force on the Convergence of Actuarial Standards was received by Council. Council agreed on the goal of Medium Convergence, as outlined in the report, on the basis of voluntary adoption in the foreseeable future. An electronic vote to amend Strategic Objective 3 to reflect this goal will be held shortly and the EC will now address the various recommendations in the report and make a proposal for their implementation.

Memorandum of Understanding

Council approved delegating to the Executive Committee (EC) the power to enter into memoranda of understanding (MOU) with other organizations when considered appropriate to achieve the strategic objectives of the IAA. The EC had already developed a proposed MOU to be entered into with the Organisation for Economic Co-Operation and Development (OECD). Other organizations with which the EC will seek to agree MOU in the near future are ISSA, IAIS and IASB.

Proposal to link Sections to Committees

Council supported the recommendations in the proposal:

- That Sections be entitled to appoint a non-voting delegate to an IAA committee.
- That IAA Delegates to Sections be involved in the process for the election of Section Officers.

These recommendations entail modifications to the paper on the Role of IAA Delegates to Sections and Other Organizations and the addition of a clause in Article 4.3 (Protocol for Establishment of Committees, Subcommittees, Task Forces and Working Groups) of the Internal Regulations; these will be submitted to Council by electronic ballot for formal approval.

Proposal on the Role of the Actuary in Enterprise Risk Management

Council endorsed the report. The EC will ensure that the various recommendations are implemented.

International Actuarial Standard of Practice – Statement of Intent

The statement of intent for an international actuarial standard of practice in connection with IFRS4 (insurance contracts) was approved unanimously, on the footing that it would be limited to IFRS specific issues, and that a Generic IASP would be developed to accompany it.

Presidents’ Forum

The Presidents' Forum met on October 11 and was attended by the Presidents (or a senior member of the current leadership) of 38 Full Member and Associate Member associations. The Forum agenda included a discussion on a risk assessment of the IAA strategic plan, a presentation from Rajish Sagoeenie on longevity risks; from Philip Shier on the future of pensions; and from Hillevi Manninen on the Report of the Task Force on the Convergence of Actuarial Standards. All of the presentations have been linked into the agenda available on our website in the Presidents Forum section. The Presidents will meet again in Sydney, Australia on April 8, 2011.
Outgoing Chairpersons Recognized
Council recognized the valuable contribution of several outgoing chairpersons whose terms were expiring at the end of the year:

- Bob Conger, Advice and Assistance – 2008 to 2010
- Tony Coleman, Enterprise and Financial Risk – 2008 to 2010
- Gary Hibbard, Accounting Standards Subcommittee of the Pensions and Employee Benefits Committee – 2007 to 2010
- Curtis Huntington, Audit and Finance – 2001 to 2010
- Esko Kivisaari, Pensions and Employee Benefits – 2006 to 2010
- Tom Ross, Member Services – 2010 (the Committee was disbanded in June 2010)

New Members of the IAA
The following associations were admitted as Associate Members of the IAA:

- Actuarial Association of Azerbaijan
- Actuarial Society of Mongolia
- Actuarial Society of Tanzania

This brings the number of Associate Member associations to 26; there are currently 62 Full Member associations.

IAA Website
We are pleased to announce that we have added two new links to the IAA Home Page. One is for Enterprise Risk Management (ERM) and it includes a link to the CERA website. The other is for the Standard-Setters Round Table.

Sections
IACA
Ken Buffin, Chairman
The IACA Committee agreed to accept the recommendation of the 2012 Colloquium Task Force of the Actuarial Society of Hong Kong (ASHK) to hold the 2012 Joint IACA/PBSS/IAAHS Colloquium on May 6–9, 2012 at the Sheraton Hong Kong Hotel & Towers. The chairmen of the PBSS and IAAHS Committees who participated in the IACA Committee meeting also consented to the recommendation of the ASHK Task Force. The next phase of the planning process for the 2012 Joint Colloquium will entail the selection of themes, topics and speakers for the program, and the formation of task forces for the technical program and marketing activities.
The Work of Committees and Sections

Below are the highlights of Committee and Section discussions in Vienna. More details are available in the minutes of the various committee meetings that are posted to the website as they become available.

Accreditation

Chris Lewis, Chairperson

The Accreditation Committee received the latest update on the work of the ad hoc Self-Assessment Working Group (SAWG), which is getting close to completing its review of the completed self-assessment questionnaires. These were completed by Full Member associations, in order to determine whether their documentation meets the current IAA membership requirements. Other matters covered by the committee included a review of completed confirmation forms, a discussion on a full membership application from the China Association of Actuaries and recommended admission of three new Associate Member associations. Another topic of discussion was a memo from the Executive Committee on how to address non-compliant member associations, as well as the receipt of an update from the Professionalism Committee on work they are doing in connection with professionalism and the related accreditation criteria.

Advice & Assistance

Bob Conger, Chairperson

Key discussion points from A&A include:

Regional Activities

- Representatives of the Latin America Subcommittee attended the annual ASSAL – Insurance Supervisors Association of Latin America – in Santiago, Chile in April to present on the benefits of becoming a member of the IAA as well as to discuss the future development of the profession in Latin America.
• In June, a representative of A&A made a presentation to the Insurance Committee of the IAIS (International Association of Insurance Supervisors) in Bahrain, describing the role and activities of the A&A Committee as well as of the Actuaries Without Borders Section.

• The Chair of the Latin America Subcommittee participated in the 8th Brazilian and Pan-American Actuarial Congress in Rio de Janeiro, Brazil, held from August 12-13. The congress included actuarial delegates from Brazil and various other Latin American countries, and provided opportunities to discuss developmental needs.

• Representatives of actuarial associations in Spain and Portugal are continuing work on the development of a program to train actuarial educators in Latin America.

• The IAA Fund is planning a seminar to support the development of the profession in Colombia for 2011. Representatives from the region will also be invited to attend.

• Various initiatives to support the development of the actuarial profession in Africa, led by actuarial associations in South Africa, France, Portugal, and Spain are continuing, with a general regional approach following the pattern of language, cultural, and historical connections among various countries.

• The Africa Subcommittee and the IAA Fund plan to hold a seminar in West Africa during the coming year.

• A new Asia Subcommittee is in the formative stages, with interested volunteers welcome from the region and around the world.

• The 2nd CIS Actuarial Congress was held in Almaty, Kazakhstan, October 25-30 2010; the IAA Fund has provided bursaries to participants from the region. Representatives from A&A participated.

• The A&A Committee in collaboration with the IAA Fund is working with actuaries in the Balkan region to organize a regional seminar in Zagreb, Croatia on October 3-4 2011, following the IAA Council and committee meetings there.

Resource Development Activities
The A&A Committee is exploring the feasibility of several resources that might be of assistance to new, small and developing associations – including a database of educational resources, and supporting mentoring relationships between mature associations and those seeking advice and assistance.

Education

Mary Frances Miller, Chairperson

Two committee papers were approved – a discussion of different options for delivery of professionalism education and a position statement on CPD. The CPD paper will be proposed as an IAA policy statement for Council approval at Sydney.

• It was noted that the Actuarial Educators Network (AEN) is up and running, with a subcommittee of the Education Committee serving as its steering committee.

• It was also noted that a task force has started to review the syllabus (the five-yearly review); a lively discussion also took place on requirements to demonstrate communication skills as a part of the qualification process.
A draft paper on potential IAA goals in the education sphere was also discussed; additional committee member comments are being gathered and feedback will be provided to the Executive Committee prior to its December meeting.

Enterprice and Financial Risk

Tony Coleman, Chairperson

The EFRC will be playing a key role in the new IAA plans to promote the role of actuaries in ERM. This was the main topic of discussion at the Vienna meeting. The Role of the Actuary in ERM is also the title of a report prepared by a special task force led by Malcolm Campbell. This report has been drafted to give direction to what the IAA should be doing at various levels to promote the role of actuaries in risk management. The committee work plan, revised to align with the structure of that report, was adopted by the committee. That plan included several new tasks recommended by the report:

- Work with the IMF (International Monetary Fund) on projects relating to risk management (three projects subsequently initiated by Tony Coleman and Dave Ingram with the Supranational Relations Subcommittee).
- Conduct a survey of ERM practices (to be started for Sydney).
- Construct a library of case studies (to be started by Sydney).
- Develop a package of material to promote ERM to actuaries. Work has started on the document providing guidance for actuaries on ORSA – adapting a document prepared by the Groupe Consultatif.
- Construct a list of areas of interest for research. There is collaboration with the AFIR ERM transition group to develop this list.

In addition, the project to produce a paper regarding the Actuarial Review of Risk Management Practices has a solid group of 21 volunteers from 10 countries who have signed up to contribute to this wiki-based project. That group will draw on relevant work being done in Australia to meet supervisory requirements there and on an extensive paper on ERM processes published in the UK.

This meeting of the committee marked the end of eight years of involvement by Tony Coleman starting with its initial meeting in Barcelona. Tony has led the committee through most of those years as either chairperson or vice-chairperson. In that time the EFRC has made considerable progress including raising the importance of ERM for actuaries and those relying on actuaries, facilitating the development of CERA, and offering a coherent response to the global financial crisis. Dave Ingram, the incoming chair, thanked Tony Coleman for his considerable personal contribution in organizing the work of the committee and offered the good wishes of the committee for the future.

Insurance Accounting

Sam Gutterman, Chairperson

Although the focus of the discussion during its meeting was regarding the recently issued Exposure Draft on Insurance Contracts by the International Accounting Standards Board (IASB), other important issues were also addressed.

The committee was in the process of developing its views and comment letter to the IASB on this proposed standard, which has been given a high priority by the IAA during the course of its development. In addition, the committee also met in Toronto two weeks prior to its meeting in Vienna to discuss this exposure draft.
Other matters covered included an approval to proceed with the negotiation with a research team to develop a monograph on discount rate and related issues, expected to be completed in 2011. Funding for this project conducted by the committee and provided by various actuarial organizations, has enabled this to proceed. An ad hoc project oversight group has been formed to manage its development, which will follow the same procedure that was followed in the development of the recently issued book on stochastic modeling. This project will jointly proceed with the assistance of the Pensions and Employee Benefits Committee and the Enterprise and Financial Risk Committee of the IAA.

The committee agreed to recommend to Council that it proceeds, according to a revised Statement of Intent (SOI), to replace the current International Actuarial Standard of Practice (IASP) 2, *Actuarial Practice* according to the due process for transition of previously approved IASPs. This was subsequently approved by IAA Council. The Subcommittee on Actuarial Standards will also proceed to replace other earlier committee sponsored IASPs with International Actuarial Notes (IANs).

Other committee activities were also addressed, including comment letters being developed or planned for exposure drafts of the IASB and the International Auditing and Assurance Standards Board (IAASB). The committee will begin to plan for development of IANs to assist practicing actuaries with the implementation of the new insurance contract standard, when the committee’s comment letter on its exposure draft has been completed in November.

**Insurance Regulation**

*Toshihiro Kawano, Chairperson*

The committee discussed the revised draft paper on Systemic Risk Regulation. Various important points were discussed in order to advance the drafting of the paper. The next version will be distributed by the end of this year for approval at the Sydney meeting. The committee discussed the IAIS project on a Common Framework for the Supervision of Internationally Active Insurance Groups (or ComFrame). The IAA ComFrame Task Force developed comments for the observer hearing by the IAIS Technical Committee held on 25 October. Its topic is “Proactive assessment of risk by insurers and supervisors” which includes questions relating to ComFrame. It was agreed that our paper on the “Use of Internal Models”, which was developed by the IAA Solvency Subcommittee, needs to be published as a committee paper instead of an International Actuarial Note (IAN) because of the time constraints of the IAN internal due process.

The Solvency Subcommittee discussed the third draft of the Stress/Scenario Testing paper. The addition of examples on banking business was suggested. The next version will be distributed by the end of this year for approval at the Sydney meeting. The subcommittee discussed the revision of the Blue Book. Some chapters or points will need to be updated such as the total balance sheet approach and reflection of the Risk Margin Paper. Use of external resources was suggested as a possible method for this development.

The Reinsurance Subcommittee discussed the response to the IASB Exposure Draft on Insurance Contracts. The subcommittee decided to set up a small group to prepare comments related to reinsurance and provide them to the Insurance Accounting Committee.
Nominations

Katsumi Hikasa, Chairperson

The Nominations Committee discussed the following points in its meeting:

• President-Elect for 2012
• Review of the deployment chart for committee chairpersons and vice-chairpersons
• Solicitation letter to be sent to Full Member associations in January requesting suggestions for upcoming leadership positions
• Revised Nominations Committee Protocol

Pensions and Employee Benefits

Esko Kivisaari, Chairperson

The Pensions and Employee Benefits Committee is heavily involved in co-operation with certain supranational organizations, mainly the International Accounting Standards Board (IASB), the Organization for Economic Cooperation and Development (OECD) and the International Organization of Pension Supervisors (IOPS).

The IASB, the committee and especially its Accounting Standards Subcommittee have been in close contact with each other. The IASB plans to renew its standard, the IAS 19, on pensions and employee benefits. This will be done in two phases – the first phase has been under consultation as an exposure draft and the subcommittee has drafted the IAA’s comments. The project will continue into the second phase. In connection with this, the IASB has asked for advice from the IAA on the subject of discount rates. Discussions in this area have been ongoing for some time and this is, of course, connected to the discount rate monograph within the IAA.

The committee is participating in the renewal of the current IASP2. Extensive groundwork has already been done to identify the areas in which guidance is needed and whether this should be either generic or IAS specific. Work is proceeding.

In the area of accounting there is extensive collaboration with the Insurance Accounting Committee, as actuaries need to be consistent in their input to the IASB.

There has been extensive cooperation over the years with the OECD and the IOPS, mainly concerning the area of the so-called risk-based supervision. There is, however, a new work stream that is starting now in the decumulation or pay-out phase of defined contribution pensions. It seems clear that the accumulation phase has been too much in focus; there is now a demand for more thinking on decumulation. The OECD has written papers on this topic already; however, more needs to be done and the IAA is co-operating on this issue. This was demonstrated in Vienna through the active participation of Pablo Antolin of the OECD in the P&EB meeting.

The OECD is looking at the issue of mortality, an area also being addressed by the World Bank. Although mortality is the main focus of the Mortality Working Group, the Pensions and Employee Benefits Committee is anticipating in discussions of the issue.

The committee has finalized its work on ERM in pensions and its note will be published.

At the meeting in Vienna, Florian Léger of the International Social Security Association and Pierre-Jean Vouette of the Committee of European Insurance (European Insurance and Occupational Pensions Authority as of January 1, 2011) participated along with occupational
pensions supervisors. Actuarial involvement in the latter organization is mainly the responsibility of the Groupe Consultatif, based in Europe. The committee will continue discussions with the former organization.

**Professionalism**

*Michael Pomery, Chairperson*

The Professionalism Committee discussed at length the report of the Task Force on Convergence of Actuarial Standards. The committee unanimously supported the proposed strategic direction recommended by the task force. At the same time, they suggested clarification of the proposed wording for a revised strategic objective. Representatives of smaller associations present indicated approval of the proposal to develop model standards for use by those associations which did not have the resources to produce their own standards. At the same time, however, there was concern that extensive or burdensome standards would put actuaries at a commercial disadvantage in situations where others can do “actuarial” work. There was also significant discussion about the interplay of actuarial standards with standards set by other groups such as regulators or, in the UK, BAS. After a vigorous debate, there was considerable support for the proposition that, in the short term, the IAA should be targeting greater transparency for users of actuarial advice, by encouraging associations to require actuaries to disclose in actuarial reports which standards they have followed in carrying out their work.

There were recent difficulties relating to the possible adoption of International Actuarial Notes (IANs) on several topics and it was decided to institute a review of the Due Process for IANs. It was also noted that the old-style IASP 1, relating to social security, would now be transitioned into a model standard, rather than an IAN, but that it contained a lot of material that was of general application to actuarial work.

The committee returned to the subject of the Statement of Intent for the transition of the old-style International Actuarial Standard of Practice, IASP2, into a new-style model IASP. The controversial matter of the separation of standards for general actuarial practice from standards for specific actuarial work related to International Financial Reporting Standards (IFRS) was also discussed. There was very strong support for the development of a model standard for general actuarial work applicable to all areas of actuarial practice, to take place in parallel with the development of model standards IASP 1 and IASP 2. This would cover material specific to social security and IFRS work respectively and would enable smaller associations to adopt the general and the specific IASPs, while the mature associations which already had generic standards could choose to adopt only the specific IASPs if they wished.

Lastly, a small sub-group was established to complete the work on the Strategic Objective on a “common understanding of professionalism” and, to this end, the committee also initiated a joint review with the Accreditation Committee, of the IAA regulations relating to codes of conduct and disciplinary procedures.
Social Security

Robert L. Brown, Chairperson

• The chairperson noted a desire to move ahead with drafting the content of a model standard of practice for social security actuaries as soon as possible. The goals is to have a draft early January.

• The committee discussed a second draft of a paper on stochastic modeling for social security systems as drafted by Bruce Schobel. After a lengthy discussion, it was decided that a third draft was necessary. This draft would review several methods of presenting “uncertainty” in a social security report. This would include sensitivity analysis, scenario testing and stochastic modeling. For each, the paper would note the advantages and disadvantages, without drawing definitive conclusions.

• Finally, the committee had a discussion, led by Chris Daykin, about what it could do to help the ILO and ISSA in training new social security actuaries and technicians. This has been on its joint agenda since a meeting in New York City in 2004.

Supranational Relations (Subcommittee)

Ken Buffin, Chairperson

The Supranational Relations Subcommittee reviewed and discussed the results of recent activities relating to implementing the IAA strategic plan’s outreach objectives, including participation in the IAA Geneva delegation’s meetings with the ILO, ISSA and WTO, as well as recent meetings in Washington with the World Bank and IMF. The subcommittee also developed a list of priorities for its 2011 outreach activities that include building and strengthening relationships with the regional development banks, specifically the Asian Development Bank, the African Development Bank and the Inter-American Development Bank.

Next Meetings

The next meetings of the IAA Council and Committees will take place in Sydney, Australia starting on the afternoon of April 6 and ending on the morning of April 10; the schedule is available online. The Institute of Actuaries of Australia will be holding its biennial conference starting with a social function on the evening of April 10.