



Convergence on Actuarial Standards

Task Force of the Professionalism Committee

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Task Force on Convergence of Actuarial Standards

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Terms of Reference

- To prepare *a discussion paper on the IAA strategy* in respect to the international convergence of technical actuarial standards
- Including considerations and recommendations on
 - the IAA strategic objectives;
 - IAA's relationship with the Standard-Setters Round Table (SSRT); and
 - the implementation actions.



What is going on out there?

- Globalization of business and commerce, WTO and G20 sitting in the driver's seat
 - demand of level playing field and transparency, including financial sector
- International development in financial reporting, IFRS by the IASB
 - MoU between FASB and IASB, MoU between ASBJ and IASB: substantial convergence of IFRS with US GAAP and with Japanese GAAP by 2011
 - In September 2009, G20 called "... the accounting bodies to redouble their efforts ..."
- IAIS is developing international standards for solvency regulation and supervisory purposes
 - Common Framework for the Supervision of Internationally Active Insurance Groups – expected to take three years to develop
 - Financial stability issues



What does that have to do with us?

- Both the IAIS standards and the IFRS standards involve actuarial work - need to ensure high quality of actuarial work
- Today multinational companies are struggling with a number of national and international regulatory demands
- Individual actuary is puzzled by what standards to apply and how
- Some standards will emerge anyway?
- To get involved or stay outside?



What could we gain or lose?

- The profession has the opportunity to influence and maintain a measure of control over the process in general and content in particular.
- In the longer term, it might be possible to attain a higher degree of efficiency and effectiveness in setting standards, by setting them at the international level
- It will strengthen the position of the actuarial profession and the IAA as a credible counterparty to other international bodies.
- An extra level of on top of existing standards which may be difficult to integrate with the local standards
- Costs and resources: just additional costs or an opportunity to increase efficiency in the long run?



Conclusion of the TF

- If the IAA wishes to *“be recognized worldwide as a major player in the financial services industry”* and *“to promote the role, reputation and recognition of the actuarial profession in the international domain”*, then it must take a leadership position in addressing the issue of actuarial standards.

Quotations from the Strategy of the IAA



Can we do it?

- Challenges are big
 - Legal and cultural differences between countries
 - National versus international interests
 - Costs and resources
- There are several ways to meet the challenges
 - Principle based model standards
 - Several levels of convergence available
 - Gradual progress based on accruing experience



Levels of Convergence

- The discussion paper includes the following set of definitions
 1. *Full convergence* - single set of globally applicable standards
 2. *Strong convergence* - model standards, only minor modifications allowed
 3. *Medium Convergence* - congruence with model standards
 4. *Weak Convergence* - national standards, but conflicts avoided
 5. *No convergence* - diverse national standards only



Recommendations of the Discussion Paper

1. Amendment to Strategic Objective 3 together with its interpretation:

“Establish, maintain and promote common standards of actuarial education and common principles of professional conduct. *Promote the development and issuance of actuarial standards by all FMAs in their jurisdictions and the global convergence of actuarial standards.*”



Recommendations of the Discussion Paper

2. Creation of a standards board or committee, either within the IAA or as a separate body
3. Reform of the IAA internal structure to support efficient development and adoption of model standards
4. To continue proactively to cooperate with the SSRT
5. To continue to cooperate in standard-setting with other interested parties, such as the IAIS and the IASB

and recommendations for implementation actions.



Thank you



Interpretation of the proposed SO3

1. Every FMA should be encouraged to have actuarial standards in place
2. The IAA should affirm the model standard approach, aiming towards achieving a position of medium convergence (congruence) by all FMAs on a mandatory basis *in the longer term*.
 - in time all FMAs should have in place standards which are congruent with the model standards. Modification of model standards should be such that the results of the work are not materially different by jurisdiction.
3. Model standards should be principles-based
4. *In the medium term*, priority should be given to developing model standards in the most urgent areas. The implementation of model standards approach can vary.
 - Where there is a need for actuarial standards specifically related to international standards for financial reporting or regulatory purposes
 - Emerging practice areas
 - Generic actuarial standards for use by FMAs not yet having any standards in place



Interpretation of the proposed SO3

5. Implications for the international work of an actuary
 - Each FMA or local standard-setter should ensure that their local standards identify the jurisdiction to which the standards apply. It would be preferable for all FMAs or local standard-setters to agree on a similar approach to identifying the jurisdiction.
 - All FMAs should require their actuaries to state in any report under which standard the professional services have been performed, if more than one might apply.
 - The actuary performing professional services should disclose under which FMA Code(s) of Conduct the services are provided, if more than one might apply. If there is a complaint regarding an actuary's work, it would be the responsibility of that FMA to take action.