

**Presidents' Forum
March 6, 2010
Cape Town, South Africa**

List of Participants

See attached

1. Welcome and Introduction

IAA President Paul Thornton welcomed all participants. This was followed by a formal introduction by each participant.

The draft minutes from the meeting held in Tallinn, Estonia were approved as presented and the draft minutes of the meeting held in Hyderabad were approved subject to two clarifications in item 6, Solvency II.

Paul then introduced Bob Howard, a member of the Agenda Task Force for this meeting.

2. Public Positions

Bob Howard presented on the Canadian experience for influencing public policy. His PowerPoint presentation is available online.

In the ensuing discussion, it was clarified that the CIA does not have a communications policy that defines what topics it can issue public positions on; that decision rests with the President and the Executive Director.

Cathy Lyn invited her colleagues to write to her with advice on how to address a letter to a Minister of Finance. Bob Howard responded that in Canada they were successful in influencing the government when they could reach the proper officials in advance of the government issuing its position.

3. Debate

Bob Howard introduced this topic and indicated that the intent was not to take a decision on international actuarial standards, but rather to clarify and help understand the various views on whether or not the IAA should establish a robust set of model international actuarial standards of practice.

He then presented the debaters: on the "for" side, Fred Rowley and Michael Pomery, and on the "against" side, Godfrey Perrott and Peter Doyle.

Before entering into the presentations, Bob presented the following statement:

Resolved, that it is in the public interest and essential for the credibility of the actuarial profession for the IAA to establish a robust set of model International Actuarial Standards of Practice to guide actuarial work under IFRS Phase 2 within 3 years.

He then asked attendees to indicate whether they were personally for or against just by reading the statement. A show of hands indicated 13 were for and 6 against.

Highlights of Fred Rowley's arguments in favour of the statement include:

- To do this is important for the credibility of the profession and is in the public interest.
- The accounting profession is joining forces on this and it would be a shame if the actuarial profession could not do the same.
- It should be robust. Should it be model standards? It is the only way the actuarial profession is currently equipped to do this.
- The IASB have model standards and in very large proportion adopt them.
- Phase II is coming in the next three years and we should follow that timeframe.

Speaking against the statement, Godfrey Perrott indicated that, although he supported robust standards, he felt it was ill advised for three reasons:

- There is an underlying premise that there must be a model in a standard of practice.
- The IAA is not structured to produce robust standards. Although we have a very hard working subcommittee of the Insurance Accounting Committee, we do not have the infrastructure to support their work. The IASB has a budget of \$700,000 US and staff of 3 and it took 31 months to produce a standard. The BAS has a budget of \$2.2 million and full-time staff of 8. Both have boards that meet frequently and whose job is solely to review, edit and approve standards.
- He does not believe it is possible to do it, therefore if we cannot do it right, then we should not do it.

Michael Pomery then spoke for:

- One of the developments coming out of the financial crisis is the coordination that is going to be needed. If the international actuarial profession is going to achieve its vision, it will need to take action on international standards. It won't be easy to produce a robust set of standards within three years. How would compliance be monitored? However, if the IAA is going to undertake this challenge, it needs to do it right. He cautioned about rejecting the idea simply because it may be difficult. The prize at the end of the road will be a very great reward for the IAA.

Peter Doyle then spoke against:

- He felt that the proposition was poorly constructed. The key issue is that this is in the public interest. Although he felt that no one was against standards per se, he felt it would create false expectations as this was a moving target.

Rebuttals from each side.

FOR

His impression was that he heard negativity. One of the first aims is that we are trying to gain the respect of those who use the accounts. Do we really want them not to use actuaries? No, we want the users of accountants to use actuaries. If we don't get our act together and do something then someone else will do it and maybe it will be the accountants.

AGAINST

The key issue is that we have a problem in getting our act together; we have a unique set of skills that we need to apply. The question is why should we be doing this? There is a lot of work to be done

towards putting in place the right resources and structure for the IAA. The minute we have these standards in place, we will need also to have a compliance monitoring process in place. He has not been persuaded that we can achieve that.

The floor was then open for comments.

- Is the intent that the standards will be enforced.
 - Response from Fred: what the IAA has done is issue models; they will be binding because they will have been adopted by a local association that has the duty to enforce. It is not the role of the IAA to enforce standards.
 - Response from Peter: The Professionalism Committee has been debating model standards for several years. There is concern that the outside world will not understand what we mean when we go out internationally with standards, but the application is done locally. We should be defining the IAA's role and structure.
 - Godfrey: the IAA has no place in the enforcement basis, that is a matter for the local associations
- Given that the member associations control the IAA and can set it up to achieve the goals, was there anything preventing them from resourcing the IAA appropriately to do this?
- If the IAA is going to get into standards, it needs to be resourced appropriately at the staff level as well as at the volunteer level and it needs to set up a board to deal with this.
- The IAA has proven over the last five years that it can restructure itself and it has done so successfully.
- We are not using our imaginations as to how this can be achieved. It is bread and butter work that supports the profession globally; therefore we should talk to the people in the practice area to see if they care or not about this. If we agree on an objective, then we should decide on the means for implementing it directly.
- The actuarial profession has always been the one to react to other professions; it has never been the other way around. The IAA should take the lead in setting standards; this can be done in a more cost-effective manner collectively than individually. We should restructure the IAA to become a stronger association.
- Although this appears to be a massive project, collectively it will be easier.
- Need to consider the impact on the actuarial profession if we don't have international standards and each association is required to develop its own standards.
- The debate has been about how it is too difficult to issue standards; what we need to debate and agree is our strategy.

Summary from each side

FOR

Most of the arguments against are focused on the basis that it is too difficult, too expensive and there is not enough time. We are not pretending that it is easy; however, in terms of financial and volunteer resources, there are other resources outside the IAA. Timing: in all these situations there is a lead time. Nobody has mentioned the importance of having model standards for the smaller associations of the IAA. As actuaries we are cautious; if the current trend in globalization continues, we could look very different. Do we want to be a vibrant global profession?

AGAINST

The position is that it is not feasible to do in three years. This is an aspiration we can't meet. If we want the IAA to produce robust international standards, we need to state that clearly at the Council level and then need to put in place the infrastructure in terms of volunteers and staff and then the funding. We need to redirect our thinking as to what we want to do. The proposition as written is flawed.

Based on what they heard and learned in the debate, the delegates were then asked to vote again on the statement presented at the start of the discussion. The results were 18 FOR and 6 AGAINST.

Secretarial Note: Attached to these minutes is an article written by Bob Howard on this debate for the Newsletter of the Canadian Institute of Actuaries.

4. ERM: the role of actuaries

Mike McLaughlin made a presentation on the role of actuaries in ERM based on the Society of Actuaries' experience with the CERA designation. His presentation is available online.

5. What is an actuary?

Thomas Béhar presented on the results of a survey of IAA member associations to address what defines an actuary in various jurisdictions. The presentation is available online.

It was noted that the IAA had established a working group on the role of the actuary some years ago and that the information obtained through this survey could be useful in revisiting the need for such a working group. This topic will be referred to the group of IAA Committee and Section Chairs.

Secretarial Note: this is on the agenda for the IAA Committee and Section Chairs meeting in Vienna.

6. Challenges for Communication

Mike McLaughlin presented on the challenges for communications in the year 2010, based on the Society of Actuaries experience. His presentation is available online.

7. Open Forum

The following points were noted.

- Italy: Starting January 1, 2010, they now have a compulsory CPD scheme.
- France: CPD is also compulsory. They have launched new courses to help "actuarial technical" to become "actuarial management".

- Faculty: They have commissioned a significant project on discount rates, especially as they get closer to implementing Solvency II.
- Portugal: They have compulsory CPD and will review the results in three years. They are facing difficulties. The requirement is for 25 hours per year involving two different events, but the small insurance companies indicated this would not be possible because they will not pay for two events for young actuaries. They are trying to move to a more regulated association. Currently, an actuary does not need to be a member of the association to practice the profession. They are encountering political problems in getting the government to change this.
- Caribbean: Invited everyone to attend the Caribbean Actuarial Association annual conference in Barbados in early December.
- Australia: Have just released a textbook targeted at Subject 9 with SOA.
- The Netherlands: They would like to share information about the model for longevity risks in the next Presidents' Forum.
- Mexico: They have a new Minister of Finance who is an actuary.
- SOA: They are doing more education and not as much research as they should, hence are starting a pilot project on rapid research.

8. Call for volunteers for the next agenda for topics

The following volunteered to serve on the agenda task force for the next meeting in Vienna: Rajish Sagoenie (The Netherlands), Philipp Shier (Ireland), Carla Angela (Italy). The UK indicated it would also provide a volunteer.

Carla Angela commented that the profession had experienced difficult times in relation to the financial crisis, both in terms of ethics and professionalism. She suggested that IAA Section Chairmen could be invited to describe the current and future work of Sections in this area.

Philipp Shier suggested a discussion on risk management and defined contribution pension schemes.

It was also suggested that a sharing of experiences re CPD could be useful.

9. Adjournment

There being no further business to discuss, the meeting was adjourned at 5:00 pm.