

Presidents' Forum
Millennium Gloucester Hotel, London
September 14, 2014

Minutes

1. Introduction

Rob Brown, IAA President opened the meeting by thanking the Institute and Faculty of Actuaries, and in particular Ronnie Bowie, for organising the agenda and speakers. He added that the Presidents Forum operates independently of the IAA and does not report to the IAA and welcomed the multi-cultural nature of the gathering.

2. The [minutes of the previous meeting](#) in Washington were accepted as a true record of the meeting.

3. Global Insurance Capital Standards: The New Regulatory Frontier – Paolo Cadoni, Technical Head of Department, Prudential Policy Division, Bank of England

Mr Cadoni provided the Forum with an [overview](#) of the IAIS's work on global insurance capital standards for global systemically important insurers and internationally active insurance groups. Highlighting that this is an ambitious challenge and the engagement of actuaries will be important to the success of this ambitious programme of work to contribute to financial stability. The IAIS is focusing on outcomes to: increase mutual understanding; promote sound risk management; and avoid inappropriate procyclicality.

Mr Cadoni asked the Presidents to encourage their associations to engage with the IAIS and the IAA in developing these standards and encouraged the IAA to continue to produce publications on technical issues that require a global solution. The IAIS would welcome technical support from the international actuarial community in developing the insurance capital standards both at the theoretical level and in their practical implementation.

4. Secrets of the Banking Trade – Professor Werner, Economist, Southampton University

Professor Werner [outlined](#) a series of 'misgivings' within the banking trade and the 'truth' behind them.

- Theta Risk Challenge – for funds to be stable in the event of an economic crisis they should be highly diversified, have high liquidity and have a net long-term bias.
- Interest rates do not drive the economy, but are driven by the economy. Evidence from Japan and the US indicates that interest rates are altered following changes in the market as opposed to being a precursor to market change.
- Markets – the definition of a perfect market and the assumptions of how the 'perfect' market operates in reality do not reflect reality.

- Money – is not included in economic theories, but it is not neutral and affects all aspects of the economy. Banks create the money supply, not governments. When your money is in the bank it is its custody i.e. under the banks control.
- Banks create credit when giving loans (money is not moved from elsewhere in the bank to provide loans). Recognition of this is would be a game changer.
- Stock market – bank credit drives GDP and determines what will happen to the economy. This can lead to asset inflation and inflation without growth, both of which are unsustainable. Good credit would be investment credit i.e. leads to the creation of new goods, technological innovation and / environmental gains. A barrier to good credit is the focus on short term results to maximise profits.
- Central banks claim to strive for financial stability, in fact they cause and exacerbate crises – after each crises gaining more power.
- Interest serves to transfer wealth from many to the few.
- Growth is necessary to maintain our standard of living – this is not the case and this assumption perpetuates the debt-based monetary system and rises in inequality.

On the positive side Professor Werner suggested these ‘risks’ can be overcome by setting up small banks and asset management funds that do not have a ‘blow-up’ risk as they are diversified.

5. [Full Member Association Engagement Plan and the Value Proposition](#)

Fred Rowley and Peter Doyle informed the Presidents’ Forum:

- that following the recent webinar on these items they will be exposed both to the Presidents’ Forum and Council.
- a separate communication plan will be developed for external stakeholders.
- a number of the ‘quick wins’ have already been completed, but they would welcome comments on any planned actions.

The Forum had two break-out groups seeking to discuss:

1. Does the value proposition make sense both at a high level and is there enough depth to understand what it means in practice?
2. Does the FMA Engagement plan feel right for your association? Is there one change you would like to see?

The discussions held during the break-outs can be summarized in the table below:

Value Proposition	FMA Engagement Plan
High-level → GOOD! <ul style="list-style-type: none"> • A few did not see the need • Branding unclear • Standards are difficult <ul style="list-style-type: none"> ○ Regional standards apply • Push for global • Add value to the individual members 	<ul style="list-style-type: none"> • #2 – “Ensure and fully support” → too strong • How to engage

<p>High-level → YES</p> <ul style="list-style-type: none"> • Enough depth in practise • Mission: reserved profession • Vision: public interest • More insights: globalisation of the actuarial profession → role of actuaries 	
<ul style="list-style-type: none"> • Should apply to all associations, not just “more established” • Seems to be missing areas where IAA currently provides value, e.g. standards, common definitions • Suggest case study approach to add depth/clarify objectives • Concern about meaning of “globalisation” • Shorter and deeper 	<ul style="list-style-type: none"> • Greater focus (few issues) • What are the measurement metrics? • Would like prioritization of plan activities

6. Education Committee Update

The Education Committee is forming a new taskforce that will be reviewing the core syllabus – this will impact all Full Member Associations.

7. Professionalism Committee Update

David Martin updated the Forum on the IAA’s work on the [governance of international actuarial work](#). The committee has recently surveyed member associations on their disciplinary jurisdiction when members operate outside of the member association’s jurisdiction. The committee will link in with the education’s review of the core syllabus and seek to hold sessional events through local member associations.

8. Adjournment and Next Meeting

Rob Brown then closed the Presidents’ Forum and encouraged everyone to attend the next meeting in Zurich in April 2015.

Respectfully submitted,
Rebecca Deegan, IFOA