

Presidents' Forum
Pan Pacific Hotel – Singapore
October 12, 2013

Minutes

1. Introduction

President Kurt Wolfsdorf opened the meeting by inviting [participants](#) to introduce themselves. He noted that while the Presidents' Forum is not part of the IAA structure, it is traditional for the IAA president to chair the meeting.

2. Consumer Protection

Ronnie Bowie and Jan Kars gave a [presentation regarding consumer protection](#). To begin, Jan Kars set the context: while consumer protection is not considered a traditional topic of concern for actuaries, there is a strong case to be made for the role of actuaries in this area. Consumer confidence is linked to the strength of the economy, so it is a natural fit with the IAA's strategic goal of "contributing to the well-being of society as a whole". Although they look to many information sources, consumers vary in their ability to understand and manage risk. We know from studies of behavioral economics that consumers do not necessarily make rational decisions. The need to defer consumption to prepare for retirement may evoke ambiguity and inertia. Information overload can further cloud decision-making, as well as the general aversion to risk and loss. Actuaries can help consumers understand and manage risk by promoting transparency, education and communication.

The concept of having "skin in the game" is relevant to consumer protection. Simply put, no one should put others at risk without exposing himself to the same risk. The presenters offered a compelling example: helicopter design improved when the responsible engineers were required to ride in a random helicopter once a month. In the actuarial context, we need to truly understand the risk from the consumer's perspective when we draft contracts, construct pension plans or design financial products. Actuaries need to be involved, and the experience of the Institute and Faculty of Actuaries (IFoA) provides insights into how this can be accomplished.

Ronnie Bowie then presented findings based on the work of the Consumer Information Working Party of the IFoA. In the UK, people don't trust financial services due to unanticipated negative outcomes. Although actuaries are not blamed for these outcomes, if actuaries don't become active then this loss of trust will continue.

A consumer information framework must include different types of information and use different channels for communication. Better informed consumers will promote the restoration of public confidence. The information framework must help consumers define their financial goals, and the delivery of information should facilitate consumer engagement. It is essential that the consumer information is free of bias. In closing, Ronnie summarized the recommendations of the IFoA working party:

- Championing cultural change with providers of information
- Grasping the opportunity of regulatory reviews
- Applying a consistent approach to financial projections for consumers

- Providing independent decision-aides for consumers
- Introducing an independent watermark of quality
- Exploring how best to communicate financial risk

In the discussion following the presentation, participants agreed with the precepts of providing the right information at the right time and that it must be clear and consistent. Additionally, if brought to the courtroom, the information must be clear. Given that consumer protection is closely related to behavioral economics, it is useful to call on other professions (as the IFoA working party did). The establishment of watermarks of quality could go a long way toward simplifying information for the consumer. Ideally these watermarks of quality will be done by regulators, and actuaries can provide a framework for the necessary assessment. Actuaries need to take ownership of consumer protection, including making this part of our training.

Participants raised the question of working for a firm that promotes risky products, and how ethics might play into the actuary's role in this case. There is a broader question beyond communication. For example, should commissions be prohibited for certain products? Ronnie noted that the IFoA is increasing its involvement in public affairs and its emphasis on financial literacy.

3. The Actuarial Society of South Africa's (ASSA) Fellowship in Banking

Themba Gamedze's [presentation](#) provided an analysis of how the ASSA is expanding opportunities for actuaries in South Africa. He provided highlights of their history, from the first fellow in 1883 through the recent creation of their own education system (including the CERA) and the forthcoming launch of a banking specialty. A mentorship program provides support for black actuarial candidates and is the center of their focus on previously disadvantaged groups.

The ASSA was aware of their changing demographics—such as the shift in Life/Pensions from 76% to 46% of membership. The organization needed to provide a value proposition for actuaries who were moving into broader fields. The ASSA addressed this challenge as a need for fundamental transformation, and embraced the principles necessary to move forward with this transformation. Diversity is a critical asset in times of change, and complacency is not an option when faced with a 'burning platform' environment. Strengths of the profession in South Africa include zero unemployment and broad recognition of the actuary's value in quantitative analysis and risk management. Taking stock of weaknesses was essential: perceived lack of business acumen, people skills, and proactive problem solving. In addition, there are supply-side threats. Aftereffects of the financial crisis include a more prescriptive regulatory environment and lingering negative attitudes toward financial services providers. On the demand side, there is risk of commoditization and possible takeover by cheaper substitutes. This is exacerbated by a reduction in statutory exclusivism for the actuarial profession. The opportunities are significant, however, and South African actuaries have earned recognition of their skills by policy makers, key financial institutions and even high-growth industries such as mobile phone companies.

Themba then went on to describe actuaries' involvement in banking as a live case study and noted how the ASSA support has evolved from the original special interest group to a clear separation of banking per se and development of a Fellowship level exam in banking. From a strategic perspective, the ASSA's Council continually asks "What do we want an actuary to do?" In terms of implementation, the Banking Fellowship is being developed in cooperation with the Actuaries Institute of Australia with input from practitioners and international banking experts. Public relations and branding efforts emphasize the broad reach of actuarial skills, and the idea of an actuarial signoff within banking is being promoted.

Themba outlined some of the unique drivers in South Africa, including the good fortune of having people in key positions who understand the value of actuaries. Risk assessment competencies were bolstered by pioneers in dread disease and AIDS modeling, and the financial crisis created greater appreciation for quants who could model risk. Where some countries turned to mathematicians for better risk management, the skills gap in a developing economy left more scope for actuaries to fill these roles. The ASSA's interest in banking went beyond a concern with losing members to a strategic appreciation of the global banking system and the specific contributions actuaries can make in risk management, balance sheet management, product design, technical troubleshooting and management on both a project level and strategic level. While the South African case study has many unique aspects, Themba closed with some general considerations for broadening opportunities for actuaries: find out where the consultants are working, look beyond regulatory roles, and be realistic about the value that actuaries can add to any process. The end result will be a more vibrant and sustainable actuarial profession in the future.

In the discussion following the presentation, participants noted that it can be difficult to convince banks that they need actuaries, and equally challenging to convince young math majors to become actuaries. The challenge is to support those actuaries who move into broader fields and to ensure that the association encourages a 'second generation', that is, continued identification of these pioneers as actuaries. The initial move into fields such as banking may be organic, but then we must think about this as a strategic opportunity that can be cultivated and sustained.

4. CERA Update

Ronnie Bowie noted that the growth of the global CERA (Chartered Enterprise Risk Management Analyst) is right in line with the developments in South Africa just described. He provided highlights of Frank Sabatini's [progress report](#) as Chair of the global CERA board. There are now 15 participating associations, and 13 of these are accredited to award the designation. These associations represent a significant percentage of the total of Fully Qualified Actuaries (FQAs) of IAA Full Member associations. There are cooperative efforts to develop educational materials, so that even smaller associations can make the CERA available to their members.

The key components of the CERA are now well-established: the syllabus, criteria for award status, maintenance of standards, and protection of intellectual property. The board is now turning its attention to marketing. The most relevant marketing/branding is likely to be done by the individual associations, but the CGA board can be a central point for information about what is happening in each area of the world. The board will be working to identify best practices, and to determine the best way to work in collaboration with other associations, including with the IAA.

5. Asian Development Bank Update

Darryl Wagner introduced invited guest speaker Arup Chatterjee, the official representative of the Asian Development Bank (ADB), an Observer Member of the IAA.

Mr. Chatterjee set the context for his presentation: the ADB is interested in developing the financial section, and most particularly the insurance sector, because their objective is inclusive growth in the economy. His view is that the financial sector today is too dominated by banking. Asia was able to withstand the financial crisis, but the ADB would like to see the financial sector develop along sound lines.

Longevity risk is an issue, not just for those countries where people are getting older and more people are leaving the workforce than are entering. We also need to be concerned about those countries now enjoying the demographic dividend. Time flies, and they are not thinking about taking care of these people as they age. We are worried about the part of the population who will become the destitute elderly if institutional structures are not put in place, and we need to ensure that these structures are compliant with international standards and principles. To this end, the ADB is embarking on a three year training course on principles and standards, in collaboration with the International Association of Insurance Supervisors (IAIS); ADB will also be working with templates developed by IAIS. Another important activity is to develop a cadre of peer reviewers in Asia: this will put peer pressure in place to ensure that regulators meet international standards. ADB will be cognizant of the fact that proportional regulations are important. Proportionality means different things to different people, and it is important to understand where proportionality can be applied and where the standards cannot be compromised. This is the message they would like to send to policymakers and regulators. After the peer review is over, ADB will develop an action plan and coordinate with partners to make things happen.

Inclusive development is the ADB goal and they would support the development of products that are useful to the common person, including in rural areas. This is an area where the ADB believes the IAA can be of assistance. It is essential to determine the preconditions that need to be in place before certain products and distribution channels can be launched. We need to understand the risks, and actuaries are best fitted to help with this understanding.

In terms of the broader picture, ADB is looking at “three I’s”: **innovation, inclusion, integration.**

- **Innovation:** means new products that increase the uptake of insurance, as well as better distribution channels that will help expand outreach.
- **Inclusion:** means involving a larger number of the public in insurance, including where insurance can mitigate longevity risk. Public/private partnerships may help here.
- **Integration:** means promoting insurance as a better form of integration, for workers moving from one country to another. Ordinary workers need to be cared for, and they are more likely than professionals to work outside of their home countries. We need to ensure that their insurance and pension needs are covered when they return home in 20 years.

Arup concluded his presentation with the hope that the ADB and the IAA can work together, and then he opened the floor for questions.

Question

What is the ADB’s experience with public private partnerships?

Response

In India, the government is using private insurance companies to insure the health of rural people. Government pays the premium and the private company handles the transactions and money management. The ADB wants to understand the role of insurance companies and how they price their policies. The regulator is there to check that the premiums are fair, but what if there is a catastrophe? Will the government bail out the private company? What are the risks? In Pakistan, there is also a program to cover the rural poor. ADB plans to study both a country that is advanced and one that is less advanced, so that it can provide advice when a government wants to put a new program in place.

Question

Please provide more information regarding the concept of integration. Presumably this requires some coordination between the country where a worker has worked abroad and the home country?

Response

Right now transfer charges are very high, especially for the poorest workers. We need to start discussions regarding solutions including harmonized regulations and systems to test equivalence. This is likely to involve regulators and other bodies.

In conclusion, President Wolfsdorf presented Mr. Chatterjee with a copy of the newest IAA publication, Discount Rates in Financial Reporting, in recognition of his contributions to the field.

6. Role and Purpose of the Presidents Forum

The IAA has undertaken a governance study, and one of the questions under consideration relates to the role and purpose of the Presidents Forum. Tonya Manning, President of the Society of Actuaries and a member of the Governance Review Task Force, agreed to lead the discussion of this topic. Tonya opened by emphasizing that the purpose of this segment was to hear each of the attendees speak. She commented on the value of the presentations today, and assured the group that the idea of using the Presidents Forum for purposes other than education was no reflection on the value of what had been heard today.

The current state of the Presidents Forum was outlined in a [brief introduction](#).

As it exists currently, the Forum does not have defined tactical objectives, but rather is focused on learning and developing relationships. The Secretariat provides support, but the Forum is independent of the IAA, and volunteers set up and deliver the agenda at each meeting. Attendance is restricted to one president and a maximum of two additional representatives from each association. As we consider the future of the Presidents Forum, one question is whether more attendees should be allowed in the educational presentations that typically form a large part of the agenda.

The IAA governance survey included questions about the Presidents Forum. The majority of survey respondents felt that the Forum did add value, and there was support for this venue to allow more discussion of the strategic plan.

Tonya then laid out the questions for discussion by the Presidents Forum today.

IAA objective: bring together leaders of the actuarial profession from across the world.

→ How can the Presidents Forum support this objective?

IAA objective: strengthen and develop the engagement of member associations.

→ What role can the Presidents Forum play in enhancing this engagement?

The following comments and observations were offered.

- I think that a lot of the Presidents Forum attendees are not part of the IAA activities. Certain countries change presidents from year to year, and it is good for them to understand what the

IAA is doing. The President can hear and then pass to members, and also Presidents can share with the IAA what they are doing.

- I have concerns: the Presidents Forum has a lot of rights but no duties. This weakens the position of the Council. As a president I have to serve [my association], and the IAA should serve the associations, and there should be room within the Council where the presidents could play a role. I have strong concerns that we are independent and having so many rights against the IAA but no duties. [
- We should not have the Presidents Forum.
- At Council have a lot of procedure. We need a place where you can talk about things without all of the bureaucracy of the Council.
- What you describe is more like the situation we had a year or two ago. Put formalities on the Council, create more time for discussion in the in-person meetings by using electronic voting.
- Can we put all of the bureaucracy to the Internet, and use the Council to discuss the important issues? Council should be the place for strategy and for controlling.
- I am not sure that this is an organizational issue whether we are part of the IAA or not. We've just heard an interesting and provocative presentation on South Africa. What do we do about that? How do we get action on good ideas that come out of these discussions? What value do we create?
- There needs to be a clear description of what the Presidents Forum does and what Council does. Clarity that we discuss things at one table at a time to preserve efficiency. Efficiency is essential –please keep it clear and distinct. The Presidents Forum can support strategy as a think tank.
- We should set up virtual meetings and not require physical presence. What are other ways that we can engage the presidents without having a physical meeting? What if people could have phoned in and at least watch the meeting? What role can the Presidents Forum play in engagement? Some presidents change every year. My association does not have an exam system but we are not tiny. We have our own code of conduct and don't look to the IAA for help. Does it make sense to have a welcome pack for new Presidents? This year we have increased our understanding of the IAA. We do engage with emails and voting. There is a lot more that can be done to promote engagement.
- If an association is not in touch with the IAA, there are many connection points. New president's packet is a good idea. The IAA needs to be informed when new presidents start.
- Maybe an association can bring one of the Council topics to Presidents Forum to hear other associations' point of view. Then the presidents have authority to tell their delegates how to vote the next day. We could choose to take one subject that is a hard subject and make it part of the Presidents Forum agenda.

- Seemed to be a desire to have more opportunities for discussion outside of what is possible to do in the Council. In our association, we split difficult subjects over two days—presentation of information on Day 1, then time for thought and lobbying in the evening, then on Day 2 make decision. I am hearing a similar thought here.
- For many of us this is our first year and next year you will not see us. Would like a 30 minute presentation on the IAA. Also to discuss our own issues and share these. I may have a problem in my association and someone else may have the same problem. We could share ideas and solutions, perhaps using designated tables for discussion. Have more roundtable discussion to learn solutions. I also think that we should have time to discuss IAA decisions and strategy.
- I think what happens is that we need to refresh as with any institution. The idea is to chew over important discussions that will be taken to Council the next day. Comparison of issues/solutions is also useful. For each of us there are two or three things that are real issues. We could identify commonality and then have an organic exchange across the table. So much happening in the financial sector—I suggest interaction off the cuff, person to person. I don't think that it is one or the other. We could divide the meeting up into sections, with remote attendees and then in-person only.
- I like the idea of two teams. One could be hot topics e.g. budget, strategic issues to discuss without voting to air opinions and values. Then the next day we can take the decision.
- I see the danger of losing efficiency by engaging in a discussion without preparation. This is something that we should think about.
- What I like in the Presidents Forum is when we don't speak too much about our committees but more about strategic objectives. We need to have somewhere to speak about the strategy of the IAA and about the future, to collectively discuss the IAA direction. Also discuss what works for the different countries such as the South Africa presentation. We are in a world that moves and Presidents Forum is a good place to discuss what works.
- The role of the Council: more looking at oversight and execution of the strategy. Presidents Forum could be a forum for discussion of what the IAA should be working on, and then in Council decide direction.
- Discussion to date has focused on what IAA presidents could discuss across the table. But this is a forum for IAA leaders to test out ideas for the future. It's a great opportunity to find out what is going on in strategic planning. Before the ideas are fully formed, we could present them here and get input about what the member associations think. So when the ideas do come forward for a vote there is support.

At the close of the discussion, Chair Wolfsdorf noted that there did not appear to be a move to disband the Presidents Forum. A show of hands indicated support for retaining the independent status of the Presidents Forum, outside of the IAA.

7. Next meeting: Washington DC March 2014

The following ideas were proposed, with offers to assemble the information:

- Ronnie Bowie, IFoA, Information regarding the new Certified Actuarial Analyst (CAA) designation.
- Thomas Behar, France, present their new magazine and talk about survey of association finances.
- Mark Freedman and Tonya Manning, Society of Actuaries, attracting and engaging future actuaries.

The American Academy of Actuaries offered assistance as the next meeting will be held in their home city of Washington DC.

Mr. Wolfsdorf closed the meeting by asking the presidents to provide responses when the IAA sends out the call for nominations, and encouraging them to send in diverse nominees.

There being no further business to discuss, the meeting was adjourned at 16:45. The next meeting will take place on March 28 in Washington, D.C.

Prepared by: Margaret Ann Jordan, Society of Actuaries

SINGAPORE

PRESIDENTS' FORUM ATTENDANCE ROSTER

AUSTRALIA

Actuaries Institute Australia

John Newman, President

Daniel Smith, Senior Vice-President

BRAZIL

Instituto Brasileiro de Atuária (IBA)

Ricardo Frischtak, Director

BELGIUM

Institut des Actuairens en Belgique

Philippe Demol, Chair International Committee

CANADA

Canadian Institute of Actuaries

Jacques LaFrance, President

Michel Simard, Executive Director

CHINESE TAIPEI

Actuarial Institute of Chinese Taipei

Kuei-Hsia Ruth Chu, Past President

COLOMBIA

Asociación Colombiana de Actuarios

Rodrigo Silva, President

ESTONIA

Eesti Aktuaaride Liit

Tarmo Koll, President

FINLAND

Suomen Aktuaariyhdistys

Barbara D'Ambrogio-Ola, President

FRANCE

Institut des Actuairens

Thomas Béhar, President

Régis De Larouillère, Director

GERMANY

Deutsche Aktuarvereinigung e. V. (DAV)

Rainer Fürhaupter, President

HONG KONG

Actuarial Society of Hong Kong

Jack Mack, President

Stuart Leckie, Past President

HUNGARY

Magyar Aktuárius Társaság

Gábor Hanák, Past President

INDIA

Institute of Actuaries of India

M. Karunanidhi, President

IRELAND

Society of Actuaries in Ireland

Philip Shier, Past President

ITALY

Istituto Italiano degli Attuari

Carla Angela, Past President

JAPAN

Institute of Actuaries of Japan

Kikuo Asano, President

Yoshiaki Maebayashi, General Secretary

Japanese Society of Certified Pension Actuaries

Yoshihiro Oyama, President

LEBANON

Lebanese Association of Actuaries

Ibrahim Muhanna, President

MONGOLIA

Society of Actuaries of Mongolia

Dalrai Davaasambuu, President

NETHERLANDS

Het Actuarieel Genootschap

Jan Kars, President

NEW ZEALAND

New Zealand Society of Actuaries
John Smith, Secretary

NORWAY

Den Norske Aktuarforening
Morten Harbitz, Secretary

PORTUGAL

Instituto dos Actuários Portugueses
José Mendinhos, President

SINGAPORE

Singapore Actuarial Society
Jill Hoffman, President

SOUTH AFRICA

Actuarial Society of South Africa
Themba Gamedze, President
Peter Temple, President-Elect

UNITED KINGDOM

Institute and Faculty of Actuaries
Ronnie Bowie, Past President
Derek Cribb, Chief Executive

UNITED STATES

American Academy of Actuaries
Cecil Bykerk, President
Tom Terry, President-Elect
Mary Downs, Executive Director

*American Society of Pension Professionals
& Actuaries*
Joseph Nichols, Past President

Casualty Actuarial Society
Wayne Fisher, President-Elect

Conference of Consulting Actuaries
John Schubert, President-Elect

Society of Actuaries
Tonya Manning, President
Mark Freedman, President-Elect
Errol Cramer, Incoming President-Elect
Greg Heidrich, Executive Director
Margaret Ann Jordan, Managing Director,
Strategy and International Activity

INVITED SPEAKER

Asian Development Bank
Arup Chatterjee, Senior Financial Sector Specialist

INTERNATIONAL ACTUARIAL ASSOCIATION

Kurt Wolfsdorf, President
Rob Brown, President-Elect
Nicole Séguin, Executive Director