

Presidents' Forum

Sydney, Australia — October 11, 2010

List of Participants

[See attached](#)

Welcome and Introduction

IAA President Cecil Bykerk welcomed all participants. This was followed by an introduction by each participant.

The draft minutes from the meeting held in Vienna, South Africa were approved as presented.

Cecil handed over control of the agenda to Thomas Béhar, chair of the agenda group.

A. Which strategy for a local association?

1. Barry Rafe, President of the Institute of Actuaries of Australia made a presentation on [The strategy of the Australian association](#).
2. Yingning Wei, Chairman of the China Association of Actuaries made a presentation on [The development of the profession in China](#).
3. Thomas Béhar, Immediate Past President of the Institut des Actuaries made a presentation on [The strategy of the French Association](#).

B. Which developments for the profession?

4. Maria de Nazaré Barroso, President of the Instituto dos Actuários Portugueses made a brief introduction on the [Role of the actuary in Microinsurance](#) and the group was divided into break-outs to answer several questions laid out in Maria's presentation.

Each group gave a brief presentation to summarize their responses to each question.

What does Micro-Insurance really mean?

Group #1: There isn't an exact definition; however there are some concepts that can be agreed such as group economics, disadvantage population, derogative insurance.

What is defined in some countries is that micro-insurance has some limits on premiums and that most cases don't have deductibles or co-insurance and they are in the minority types of policies.

We don't have an exact definition at the moment, however we do agree to a certain extent. In Mexico, there is a definition in the Insurance Regulatory Act.

Group #4: We are consistent with Group #1 that there is a need for a definition. We have a regulation or a law that addresses micro-insurance, so we are consistent with the observation of Group #1 that a special law or regulation of micro-insurance requires a definition.

With regards to what it means, we came up with what we thought was a definition. It is insurance with low limits and low coverage, with frequent small regular payments, the idea being that you are providing coverage to those that cannot afford the full premium up front even though it is small. It is a way of distinguishing another small coverage, small premium situation. An example we used was buying electronic equipment and wanting a small service contract; because you can afford to pay the full amount up front, that is not micro-insurance. Part of the definition of the market is not being able to afford to pay the full insurance premium up front.

Group #1: Is Micro-Insurance only for less developed countries?

We agreed that it is not just for less developed countries. We can sell micro-insurance to minorities and students, so we can sell micro-insurance in almost any country.

Group #4: We agreed that it is not just for less developed countries. The example that we used in the US is something called Industrial Life Insurance, in which about fifty years ago they would collect fifty cents or a dollar or so a week from various people to cover the cost of a burial in case a family member died.

What are the main differences between Micro-Insurance and Regular Insurance?

Group #2: We focused on the drivers of insurance. One is what is the goal of capital for micro-insurance versus regular insurance? Obviously for insurance the goal is return on capital. The motivation for capital for micro-insurance tends to be more philanthropic or governmental long-term investment in people.

In insurance we focus on management of economic capital, on the return and risk. The driver of successful micro-insurance seems to be successful management of human capital. In other words the responsibility people feel to repay their loans to manage the risk as a growth to reduce the probability of losses.

There was a nice example from Mexico, where successful micro-credit units of small groups were able to raise their level of performance where they couldn't obtain any work at all but they could now sell tacos. Now because of that they can afford micro-insurance. It has become a very successful operation in Mexico, but many of the parallel organizations have failed. It seems from the description that as the group focused on managing monetary capital away from human capital that is where it fell apart.

Group #5: The main differences that we came up with were that local people are generally collecting premiums monthly. The term is generally shorter, only about ten

years. There is a flat rate irrespective of age and gender and a minimum and a maximum age.

Is it commercially viable?

Group #2: From the societal stand point, you might argue if we are creating human capital, then it is viable in that sense, however if we focus only on the monetary then perhaps not.

Group #5: We were leaning towards no because the lapse rate is very high and the fallback of commission is an issue, however we could perhaps restructure that. You need volume and that in itself creates a problem with this kind of insurance.

Should capital requirements be the same for micro-insurance and traditional insurance?

Group #3: We decided there was not much difference between the two types of insurance in terms of what was needed for capital. There would probably be more capital requirements because of the holding insurance operating and the customers and also when you look at things like lapse rates and regularity of premium.

Group #6: We felt that if we were using a risk based capital approach, then the answer is it should be the same. However, in some jurisdictions you will have a minimum dollar amount of capital that you might hold. If that was the case then micro-insurance wouldn't be viable because you would have a very high minimum threshold to offer it.

What is the role of the actuary in micro- insurance?

Group #3: We thought that role was probably very similar as with ordinary insurance. However, the conditions would be a lot different therefore you would have to take into account the risk factors and what additional reserves and premiums would be needed to cover those risks for it to be commercially viable.

Group #6: We agreed with the other group, and said it is basically the same. Your pricing and your reserving are basically the same for micro-insurance and traditional insurance. However, for this product to be viable you have to realize that you took in low sub-insurance advice, therefore you must have a simple product; the costs of the actuarial advice would be kept reasonable and affordable for this.

The experience in China was that basically the insurance companies were selling this product for the social benefit of the country and there was some cross-subsidy between the traditional lines and the micro-insurance line, so that they were going in and helping the government in terms of creating coverage for the general population. Therefore the companies were actually providing the costs of that.

More widely you could think this would be more viable in other countries, where for instance you have consulting actuaries who worked on a pro-bono basis in order to make it viable.

What is the role of the local associations and the IAA for Micro-Insurance?

Group #3: The IAA most likely has a lot to offer in that it could be the place where it collects a lot of literature. It can provide a forum for informing actuaries in this area in terms of education, standards, guidance and regulators. The IAA also has Actuaries Without Borders, so they can have a supply of expertise. The World Bank and the different development banks would be interested in micro-insurance in terms of insurance awareness population and also to provide a cover because these people are exposed on their coverage. The IAA can help with policy making and implementing more of this type of coverage for these customers.

In terms of local associations, they could probably do the same, but at the local or regional level.

Group #6: We felt that local associations could clarify what was micro-insurance and what wasn't and could also facilitate a standardized type of product, which could then be used more generally by a wide range of organizations.

Maria thanked the group for their input. She indicated that a definition of micro-insurance would be helpful and that the IAA and local associations can play a very important role in this topic. She also pointed out that the summary would be sent to the Chairperson of the IAA Working Group on Micro-insurance, Howard Bolnick.

5. Mary Frances Miller, President of the American Academy of Actuaries and Chairperson of the IAA Education committee, gave a presentation on the IAA [Guidelines on Continuing Professional Development \(CPD\)](#).

At the end of her presentation, several questions were asked of the audience. They are summarized as follows:

Does your association have mandatory CPD for its member?

Mandatory: 22

Voluntary: 1

Under development: 2

Which association has specific CPD rules for statutory duties?

Response: approx. 16

Which association has specific CPD rules for international actuarial work?

Response: 7

Which association records members' CPD in a centralized way?

Response: approx. 12

Which association has a monitoring system?

Response: approx. 15

Which association with mandatory CPD has specific designation for actuaries who respect CPD?

Monetary Fine: 1
Termination: 3
Public Reprimand: 3
Loss of Certification: 2

What are the yearly requirements?

Less than 15 hours: 2
15 to 30 hours: 10
30 to 50 hours: 8
More than 50 hours: 1

6. David Goodsall, Senior Vice President of the Institute of Actuaries of Australia gave a brief introduction on the topic of Climate Change and introduced Jill Green to make a presentation on [Climate change and Environment Issues](#).

7. **Open Forum**

On behalf of the Mexican actuarial associations, Luis Alvarez invited everyone to attend the Joint Colloquium of the ASTIN, AFIR and Life Sections in Mexico City from 1-4 October 2012.

Maria de Nazaré invited everyone to attend the joint ASTIN/AFIR Colloquium in June 2011 in Madrid and to Lisbon for the Groupe Consultatif Summer School.

Cathy Lyn reported that the Caribbean Actuarial Association (CAA) had embarked on a project to establish a complete set of actuarial standards for actuaries in the region. The CAA is also looking forward to hosting the IAA meetings, in conjunction with its conference, in November 2012 in the Bahamas.

8. Next Meeting

The following topics were suggested for the next meeting in Zagreb:

- Ralph Blanchard: Governance Structures of Associations
- Vladimir Novikov: Convergence of Education
- Mary Frances Miller: Role of Education
- Dave Sandberg: Own Risk and Solvency Assessment (ORSA) Requirements
- Carla Angela: Ethics and the Financial Crisis
- Desmond Smith: Follow-up to the Risk Assessment of the Strategic Plan

It was agreed that Thomas Béhar would lead the agenda task force with the assistance of Vladimir Novikov and Maria de Nazaré.

9. Adjournment

There being no further business to discuss, the meeting was adjourned at 6:00 pm.

SYDNEY

PRESIDENTS' FORUM ATTENDANCE ROSTER LISTE DES PARTICIPANTS AU FORUM DES PRÉSIDENTS

AUSTRALIA

Institute of Actuaries of Australia
Barry Rafe, President

BANGLADESH

Actuarial Society of Bangladesh
A.K.M. Elias Hussain, President

BRAZIL

Instituto Brasileiro de Atuária (IBA)
Ricardo Frischtak, Director

CANADA

Canadian Institute of Actuaries
Micheline Dionne, President
Jim Christie, President-Elect

CHINA

China Association of Actuaries
Yingning Wei, President
Mingguang Li, Secretary General
Zheng Wang, Correspondent
Chengfang Shen, Chair of the Communications
Department
Shuren Dai, Translator

CHINESE TAIPEI

Actuarial Institute of Chinese Taipei
Tsai-Ling Chao, President

CARIBBEAN

Caribbean Actuarial Association
Cathy Lyn, President

FINLAND

Suomen Aktuaariyhdistys
Barbara D'Ambrogio-Ola, President

FRANCE

Institut des Actuaire
Thomas Behar, Immediate Past President

INDIA

Institute of Actuaries of India
Liyaquat Khan, President

IRELAND

Society of Actuaries in Ireland
Philip Shier, Immediate Past President

ITALY

Istituto Italiano degli Attuari
Riccardo Ottaviani, President

JAPAN

Institute of Actuaries of Japan
Tutomu Igarashi, Chairman
Yosuke Nakano, General Secretary

Japanese Society of Certified Pension Actuaries
Masaharu Sasaki, President
Toshiaki Uetani, Secretary General

LEBANON

Lebanese Association of Actuaries
Ibrahim Muhanna, President

MEXICO

Colegio Nacional de Actuarios A. C.
Jesús Zúñiga, President-Elect

Asociacion Mexicana de Actuarios
Luis Alvarez Marcén, President

NETHERLANDS

Het Actuarieel Genootschap
Ad Kok, Chair of International Committee

NEW ZEALAND

New Zealand Society of Actuaries
Ian Perera, President
John Smith, Secretary

PORTUGAL

Instituto dos Actuários Portugueses
Maria de Nazaré Barroso, President

RUSSIA

Russian Guild of Actuaries
Vladimir Novikov, President

SOUTH AFRICA

Actuarial Society of South Africa
Themba Gamedze, President-Elect

UNITED KINGDOM

Institute and Faculty of Actuaries
Ronnie Bowie, President
Jane Curtis, President-Elect
Derek Cribb, Chief Executive

UNITED STATES

American Academy of Actuaries
Mary Frances Miller, President
Gino Vissicchio, General Counsel and
Director of Professionalism

Casualty Actuarial Society
Ralph Blanchard, President
Patricia Teufel, President-Elect
Cynthia Ziegler, Executive Director

Conference of Consulting Actuaries
Donald Fuerst, President-Elect

Society of Actuaries
Donald Segal, President
Brad Smith, President-Elect
Greg Heidrich, Executive Director

INTERNATIONAL ACTUARIAL ASSOCIATION

Cecil Bykerk, President
Desmond Smith, President-Elect
Nicole Séguin, Executive Director
Christian Levac,
Manager, IT and Member Services