

Presidents' Forum
May 25, 2013 – 13:30 local time
World Forum Convention Center – Den Haag
Mississippi Room

Minutes

Please see the [Presidents' Forum Attendance Roster](#) for the list of attendees.

1. Introduction by IAA President Kurt Wolfsdorf

President Wolfsdorf welcomed the participants and asked for self-introductions.

Rajish Sagoenie, President AG (Netherlands), introduced the theme for the Forum: "the role of the actuary in a changing world".

- Skills will be required in addition to traditional technical competence.
- Actuaries will need to offer clear communication of complex information.
- Actuaries will be expected to express more insights, represent social responsibility, and take a more systemic view.

2. Presentation on Supranational Relations by Renata De Leers (see [PowerPoint slides](#) for more detail)

Providing actuarial input to supranational organizations is the number one strategic priority for the IAA. The Supranational Relations Committee (SRC) engages in work that only the IAA can do.

- Supranational organizations are located all over the world; the IAA maintains a database of these organizations. Extensive progress has been made since 2000 to 2013.
- The SRC needs more volunteers from IAA member associations. Please ask your members to volunteer for IAA supranational projects.
- The SRC's activities focus on homework and personal contacts, building trust and providing continuity. Using the analogy of 'scissors': the SRC combines both top level contacts and projects on the committee level.

3. Keynote Speaker: Mr. Gabriel Bernardino, Chair of the European Insurance and Occupational Pension Authority (EIOPA)

The Presidents' Forum guaranteed a lively, highly interactive discussion by engaging journalist Peter van Zadelhoff to act as moderator for the keynote speaker session. Mr. van Zadelhoff, a skilled and energetic interviewer, started by asking the presidents to set the speaker's focus themselves by naming topics that Mr. Bernardino should address.

- In Europe alone there are different views of 'what is an actuary'? We need to build a common view of the role of the actuary, and that role must be well defined.
- We need to expand to broader fields.
- Think about the children...what about the future, particularly in the pension area? How can the actuarial profession help?

- We have a declining number of pension actuaries, and retirement schemes are shifting from pooled risk to individual risk. We need creative thought regarding what an actuary could be. Should we have an actuary that does not have a specified area of practice but rather is a skilled generalist?
- How can we improve the general condition of actuaries?

Mr. Bernardino began his remarks by pointing out that he worked in an actuarial function early in his career, and is still a member of the Portuguese Association of Actuaries. The profession is fundamental for maintaining the equilibrium of the financial system.

Mr. Bernardino noted that EIOPA is a “new animal” since 2011. As the European supervisor it has the power of regulation, supervision and consumer protection. EIOPA searched worldwide to incorporate the best of risk-based regulation and supervision into its framework. The first consideration is to bring Solvency II to the European community.

- Developing a risk-based view of all assets and liabilities is a key objective. One of the big lessons is that risk does not disappear even if it is not fully appreciated. Rather we must look forward and do forecasts, measure the sensitivities and come with something that will be realistic.
- Solvency II has some innovations. Although many believe that today's regulations are too complex, we can move toward a simpler structure through minimum capital requirement and so forth.
- Disclosure and transparency are critical. There is need for a defined level of prudence, as well as an explicit one, and this is a political decision. Diversification is critical, strong requirements of proving this.
- For the first time, we have clear governance guidelines for the Board and for the actuarial function. We had to fight to get the actuarial function recognized.

The introduction of Solvency II has been delayed from the original target date of 2012, although some elements have been introduced already. The current level of volatility has never been seen before, and for the first time in Europe, the principle of sovereign risk is being questioned. The low interest rate environment is also a major risk and a huge challenge. EIOPA will publish a report in June 2013 including ideas for coping with the extreme volatility and low interest rates. EIOPA is also working on calibration issues.

Pensions touch all sorts of fundamental questions including the point that was brought up regarding the future of our children. Should we apply to pensions the same Solvency II regime as for insurance? There is a need for transparency, for realistic calculation of pension liabilities, and for standardized consumer information. The results of EIOPA's first study of defined benefits provide these insights.

- There are large differences in the ways that countries calculate liabilities, which means that there are varying levels of underfunding and different degrees of protection. This is not just a European issue. We need to question if promises made are sustainable for current and for future generations.
- On the political level, we cannot “kick the can down the road” or we will have serious intergenerational conflict. People who are retiring now have a good benefit but there is no equivalent protection for the younger generation, and this is not sustainable from either a political or economic standpoint.

- There is more work to be done, and Groupe Consultatif is providing important support in this area. Definitely there will be more decisions forthcoming on the pension side.

EIOPA is also active in the area of consumer protection. This is central to the work of actuaries: the promises made by financial products such as insurance or pensions are fundamentally based on trust. We need to improve product governance: how to sell and to whom and in which conditions. Consumers' easy access [for example through social media] to bad experiences with products means that it is essential to prepare in advance: the job of repair is greater than the job of prevention. Awareness of scandals has pushed boards to be more proactive in consumer protection.

The actuarial profession can also help on the disclosure side. Transparency is used as a synonym for disclosures, but the volume of information disclosed does not truly lead to transparency. It is not fair to put the onus of reviewing volumes of information onto the consumer. The data that regulators require for disclosure is not the same information that the average consumer needs for making informed financial decisions. The profession needs to think about how to make things simpler.

In Solvency II, the actuarial role will not necessarily be performed only by actuaries. In Europe, there is great diversity of competencies for "actuaries". Actuaries should be part of the risk management function of the companies; in this respect the Chartered Enterprise Risk Analyst (CERA) is visionary in that it is a proactive move in the area of risk management. There is also a huge discussion on the role of the audit function, and audit firms will need to have people with actuarial experience to do these jobs.

Internationally, where are we? There is an important role of the IAA with the International Association of Insurance Supervisors (IAIS). Definition of systemic risk is very important—it's tough to have these discussions in a global context, but actuaries need to be proactive. Details are still to come on ComFrame. The topic of systemic relevance in the insurance sector was sparked by AIG.

In closing, Mr. Bernardino reiterated that EIOPA wants to develop sound global guidelines (not just Europe) in insurance and pensions. "I believe that guidelines will be there in the future although I don't know when and I don't know who will do it. There is a role for the actuarial profession and there is a role for the IAA. You should not wait to be asked to weigh in: Think about the future and lay out the agenda yourself."

Questions and comments offered by the presidents reinforced points by Mr. Bernardino. In Solvency II the actuarial function is defined indirectly, and functions can be done by non-actuaries. It would benefit the profession to develop a consistent definition of 'actuary' and for actuaries to move from 'calculation actuary' to 'ERM actuary'. Actuaries must provide independent judgment, and then communicate this clearly. Better financial education for the public is also required, and better understanding of risk on the part of consumers would actually benefit insurance companies. .

4. Interactive Panel Discussion

Following the break, the panel of experts was introduced, including IAA President-Elect Rob Brown, Ad Kok, and Masaaki Yoshimura. The format of the discussion was highly interactive:

for each of several “assertions” regarding the actuarial profession, panel members offered comments, and the views of participants were revealed by electronic voting.

Statement 1:
The world is changing rapidly; the actuary should only be focusing on what he is professionally good at. Votes: True 26% False 74%

- There is tension between the need to move beyond traditional areas of practice and still comply with the core principle of professionalism, that is, to undertake only work for which the actuary is qualified.
- Educators need to focus on core skills as today’s jobs may not exist in 25 years, including clear and succinct communication.

Statement 2:
The future leading expert and independent advisor for review and potential sign off of the financial conditions of insurance companies will not be the actuary Votes: True 24% False 76%

- Accountants have a different perspective, and acknowledge the need for actuaries. If you hire a qualified actuary, he/she will make his/her own expert judgment and will sign off.
- Actuaries must engender trust. It does mean something in the marketplace that we have professional codes and ethics in place.

Statement 3:
In the era of advanced IT technology, like big data, actuaries should develop the skills to become a data scientist. Votes: True 64% False 36%

- If actuaries embrace the great revolution in computer capacity, then we could open up a new ‘golden age’ (referencing the golden age of Dutch culture).

Statement 4:
Actuaries must reclaim their position/role in developing and implementing Enterprise Risk Management (ERM). Votes: True 98% False 1%

- The field of risk management provides many examples of jobs that did not exist 20 years ago. Traditional actuarial skills can be applied in new ways.

Statement 5:
The foundation of insurance is collective risk theory / solidarity. Actuaries are able to calculate premiums for almost every risk that exists. Actuaries should raise their voice when a developed product is not ethical or socially desirable Votes: True 97% False 3%

- This is one of the most important issues going forward. All persons in the financial industry must speak up, and we need to put mechanisms in place to support this ‘speaking up’.
- Some countries are in a serious crisis because of badly designed financial products.
- From the perspective of a regulator, it is important to involve actuaries in writing the rules so that they are useful and meaningful.

5. Wrap-up by Tonya Manning, President, Society of Actuaries

Ms. Manning’s summary focused on three themes.

- i. The actuary as communicator. You can have all the good ideas, but if you cannot communicate these to stakeholders, they are not useful. At the same time that rules and data are getting more complicated, we are being asked to communicate more simply, to

get to the one-page summary. There is also a greater need for transparency to ensure that we maintain public trust.

- ii. Where we are going as a profession. Today's jobs will not exist in 25 years. For example, in the pension area, the nature of risk is evolving from collective risk to individual risk. Actuaries cannot just be in 'the back room'. We need to take responsibility, perhaps setting five-year milestones for the development of the profession.
- iii. Consumer protection and public trust. Actuaries need to raise their voice to challenge products that are unethical. We are a self-regulating profession, and it is important that we as a profession need to develop rules rather than leave this to the regulators.

6. Meeting Adjournment and Next Presidents' Forum (Singapore, October 2013)

President Kurt Wolfsdorf asked for topics and volunteers to prepare for the Presidents' Forum in Singapore (October 2013). Several suggestions were offered: member associations' innovations, non-traditional roles, financial education. A proposal was made to conduct a governance study for the IAA, to ensure complete understanding and effective implementation of the strategic plan.

Participants voted to take up the topic of consumer protection at the next forum. Tonya Manning, Thomas Béhar and Jane Curtis agreed to organize the session.

PRESIDENTS' FORUM ATTENDANCE ROSTER
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AUSTRALIA

Actuaries Institute Australia
 John Newman, President

AUSTRIA

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 Christoph Krischanitz, President

BELGIUM

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Canadian Institute of Actuaries
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 Michel Simard, Executive Director

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Actuarial Society of South Africa
Themba Gamedze, President
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