



The IAA 10 Years Later

Québec, June 18, 2008



Your Panel

- Walter Rugland
 - IAA History and Restructuring
- Cecil Bykerk
 - IAA Education Guidelines
- Mo Chambers
 - IAA Accreditation and Professionalism
- David Hartman
 - IAA Strategic Planning

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The International Actuarial Association
10 Years Later

Walt Rugland

FSA, MAAA, HonFIA, HonFFA

IFAA Past-President (1997-8)

SoA Past-President (1992-3)

10 Years Later

(presented by Mo Chambers)

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IAA in the Beginning

- 1895, small group in Belgium organized first International Congress in Brussels
- formed a body, “le Comité permanent”, to organize future congresses
- organized around individual memberships
- primary activity involved planning for next congress and distributing reports of actuarial happenings around world

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IAA in the Beginning

- volunteer Secretariat in Brussels
- during '60s adopted name “International Actuarial Association”
- in mid-20th century formed sections for special interest groups – ASTIN, AFIR

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1990s – A New World

- increased cross border actuarial activity
- globalization of many aspects of actuarial practice
- ICA 1992 – Montréal
- discussions recognized need for coordination of activities of actuarial organizations
- formed M^cCrossan Group
- focus on public interest and global professionalism

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International Forum of Actuarial Associations

- formalized at 1995 Centenary Congress in Brussels
- created as new section of the IAA
 - to encourage communication among actuarial associations worldwide
 - to further the profession and professionalism
 - to enable the crossing of jurisdictional borders

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International Forum of Actuarial Associations

- concern to avoid disinterest and disassociation
- organization characterized by
 - transparency
 - accessibility
 - consensus
- achieved by
 - structure of weighted voting
 - subsidiarity principle

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International Forum of Actuarial Associations

- Advice & Assistance, Education, Nominations Committees
- IASC developing international pension accounting standards
- Pensions Committee to influence IASC
- established the actuarial presence in the world
- Insurance Accounting Committee

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International Forum of Actuarial Associations

- Accreditation Subcommittee to define membership requirements
- Secretariat in Ottawa
- dues structure for member associations

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1998 - Renewal

- special committee to consider future of the IAA (the Bühman Committee)
- recommended restructure of the IAA in the form of the IFAA
- accepted due to respect held for members of special committee
- formalized at 1998 ICA in Birmingham

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2008 – 10 Years Later

- vast expansion in activities
 - increased globalization of practice
 - globalization of related professions and organizations (IASB and IAIS)
 - emerging economies
 - new demands
- expansion of membership (37 → 60)

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International Actuarial Association

the first
truly
global profession!

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The International Actuarial Association
10 Years Later

Cecil Bykerk

FSA, MAAA, FCA

SoA President-Elect (2007-8)

IAA Education Guidelines

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Education Committee Terms of Reference

- Maintains a process for the assessment of education requirements of associations as part of the accreditation process.
- Determines whether the education requirements for a particular association meet the standards set down in the IAA Education Syllabus and Guidelines.
- Undertakes a formal periodic review of the IAA Education Syllabus and Guidelines
- Facilitates developments in the globalization of education systems leading to common syllabuses and common assessments.

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Education Committee Terms of Reference

- Maintains a database on the situation in respect of the IAA Education Syllabus and Guidelines for each member association
- To provide a consultative forum for associations developing their education requirements.
- Consider arrangements for the creation of a database for examples of actuarial practice beyond the basic IAA Education Syllabus and Guidelines, with particular reference to continuing professional development (CPD) requirements.
- To recommend arrangements to facilitate the exchange of information about CPD opportunities available in countries of member associations.

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Education Guidelines

- All full member IAA associations must be in compliance.
- The IAA Education Syllabus and Guidelines do not prescribe an education process
- There are many effective actuarial education and qualification programs which vary between organizations and from country to country.

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Education Guidelines

- Some important differences:
 - Education basis and source
 - ♦ University courses v. self-study with professional examinations.
 - ♦ Own system in association or use of the system in another association.
 - Training source
 - Control of educational content and qualification standards - by the actuarial organization, by universities or by government.
 - Qualification basis - Examination scores v. university grades.
 - Mathematics / Business Orientation
 - Level of Specialization
 - Qualification standards
 - National actuarial structures
 - Diversity of markets for actuaries Geographic scope

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Education Criteria

- Syllabus has 10 subjects. Each subject contains a number of topics.
 - Breadth
 - All subjects in the Syllabus must be covered.
 - Subjects/topics do not need to be grouped or packaged the same.
 - Some subjects may be required by an association to be taken as pre-study or pre-requisite to actuarial study.
 - The subjects need not be treated as being of equal weight when prescribing a full qualification process.
 - It is important that students are introduced to all the subjects in the Syllabus but the application of topics can be covered through a limited number of areas.
 - Different associations will give more or less weight to the various topics within each subject based on the needs for actuaries in the markets that each association services.

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Education Criteria

- Depth is on a 4 point scale
 - 0 – Not covered at all
 - 1 – An introduction to the topics so the student has a basic knowledge of the subject
 - 2 – The student has a good knowledge of the subject as defined in the Syllabus and an understanding of how the subject is used in problem solving so that the student is able to solve well-defined problems as needed by actuaries.
 - 3 – The student has a deep knowledge of the subject and is able to solve complex problems using judgment.

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IAA Syllabus

- **Financial Mathematics**
 - Deterministic theory of interest rates
 - Generalized cash-flow models
 - Introduction to contingent claims analysis
 - Term structure models
 - Risk neutral valuation, including derivative pricing and deflators
 - Stochastic calculus for finance
 - Stochastic theory of interest
 - Dynamic portfolio management
 - Introductory applications to insurance and other financial liabilities

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IAA Syllabus

- **Probability and Mathematical Statistics**
 - Concepts of probability
 - Random variables and their characteristics
 - Methods and properties of estimation
 - Correlation and regression analysis
 - Hypothesis testing and confidence intervals
 - Data analysis

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IAA Syllabus

- Economics
 - Macroeconomics
 - Microeconomics

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IAA Syllabus

- Accounting
 - Basic principles of accounting
 - The role of accounting standards
 - Different types of business entity
 - Basic structure of company accounts
 - Interpretation and limitation of company accounts

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IAA Syllabus

- Modeling
 - Model structures
 - Selection process
 - Calibration
 - Validation
 - Scenario setting
 - Sensitivity testing
 - Limitations
 - Computer applications of modeling
 - Documentation and audit trail

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IAA Syllabus

- Statistical Methods
 - Statistical models, such as regression and time series
 - Survival and multi-state models
 - Risk models (individual and collective)
 - Parametric and non parametric analysis of data
 - Graduation principles and techniques
 - Estimation of frequency, severity and survival distributions
 - Credibility theory
 - Ruin theory
 - Concepts of stochastic processes
 - Simulation methods

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IAA Syllabus

- Actuarial Mathematics
 - Nature of the events giving rise to a contingency
 - Typical solutions offered by insurance, social insurance, other financial services, or risk management e.g. products, schemes, contracts or transactions that will provide payments or benefits on future financial events in relation to:
 - The risk profile and aims of the parties involved
 - The concepts of risk avoidance, risk transfer and risk retention
 - The level and form of cash flows to be provided
 - Any options or guarantees that may be included
 - The method of financing the cash flows to be provided
 - The choice of assets when payments or benefits are funded
 - The charges that will be levied
 - The capital requirements
 - Actuarial methods for evaluating the prospective cost of solutions, e.g.:
 - Pricing of insurance contracts
 - Financing methods for other products or plans
 - Financial effects of other risk management solutions

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IAA Syllabus

- Actuarial Mathematics
 - Actuarial methods for monitoring the results and maintaining financial stability, such as:
 - ♦ Reserving
 - ♦ Financial Reporting
 - ♦ Reinsuring
 - ♦ Profitability analysis
 - ♦ Financial condition analysis

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IAA Syllabus

- Investment and Asset Analysis
 - The objectives of institutional and individual investors
 - Types of investment (bonds, shares, property and derivatives)
 - Valuation of investments
 - Portfolio selection - incorporating assessment of relative value
 - Performance measurement
 - Portfolio management
 - Management of investments with respect to liabilities using techniques such as immunization, asset-liability management and liability driven investment

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IAA Syllabus

- Actuarial Risk Management
 - The general operating environment of the enterprise
 - Assessment of risks; risk types and risk measures
 - Design and development of products and/or services
 - Pricing of products and services and assumptions underlying the pricing
 - Reserving and valuation of liabilities
 - Management of risks and methods of reducing risk exposure, such as reinsurance
 - Management of the relationships between assets and liabilities
 - Monitoring the experience and exposure to risk
 - Solvency and profitability of the enterprise and the management of capital
 - Principles of regulation of financial institutions

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IAA Syllabus

- Professionalism
- Characteristics and standards of a profession including the need for:
 - Specialized skill and education
 - Ongoing training and development
 - High quality of advice
 - Exercise of independent judgment
 - Objectivity, integrity and accountability
- Code of conduct
- Discipline process
- Practice standards set by actuarial bodies and other stakeholders
- Regulatory roles of actuaries
- The professional role of the actuary
 - Analysis and resolution of ethical issues
 - Identifying and managing conflicts, misuse of or undue influence on advice
 - Nature of advice
 - The public interest

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IAA Syllabus

- Adopted in 1998 with implementation by 2005
- Some are in final years of transition
- Revised the guidelines with an effective date of 2009
- IEPC

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IAA Syllabus

Questions?

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The International Actuarial Association
10 Years Later

Mo Chambers

FCIA, FSA, MAAA, HonFIA, HonFASI

IAA Past-President (2001)

CIA Past-President (1992-3)

IAA Accreditation and
Professionalism Committees

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The International Actuarial Association
10 Years Later

Committee on Accreditation

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Accreditation Committee Terms of Reference

- to recommend the requirements for membership of the IAA to Council and periodically to review these requirements
- to examine applications for membership and to determine compliance with the membership requirements

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Accreditation Committee Terms of Reference

- to bring forward to Council recommendations with respect to admission to membership
- to monitor continuing compliance with the membership requirements

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Accreditation Committee Terms of Reference

- to rely on the advice of the Education Committee in relation to compliance with the education requirements
- to liaise with associations applying for membership in the IAA, or wishing to upgrade their status in the IAA

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What makes a Profession?

- skilled intellectual technique
- code of conduct/voluntary association
- method of enforcement
- public interest is primary

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FULL MEMBER REQUIREMENTS

- acceptable governing documents
- acceptable code of professional conduct
- acceptable discipline process
- acceptable standards of practice due process if applicable
- pay dues

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REQUIREMENTS FOR GOVERNING DOCUMENTS OR STATUTES

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REQUIREMENTS FOR STATUTES

- **develop the role and enhance the reputation and recognition of the actuarial profession and individual actuaries**
- **promote high standards of professionalism among actuaries**
- **ensure that the public interest is served**

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REQUIREMENTS FOR STATUTES

- **advance the body of knowledge of actuarial science and its application**
- **further the personal professional development of actuaries**
- **promote mutual esteem and respect amongst actuaries**
- **provide a forum for discussion among actuaries**

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CODE OF CONDUCT REQUIREMENTS

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CODE OF CONDUCT REQUIREMENTS

- a) **An actuary shall perform professional services with integrity, skill and care.**

An actuary shall fulfil the actuary's professional responsibility to any client or employer.

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CODE OF CONDUCT REQUIREMENTS

- b) **An actuary shall act in a manner to fulfil the profession's responsibility to the public.**

An actuary shall act in a manner to uphold the reputation of the actuarial profession.

An actuary shall not engage in any advertising or business solicitation with respect to actuarial services that the actuary knows or should know is false or misleading

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CODE OF CONDUCT REQUIREMENTS

- c) **An actuary shall co-operate with others serving the actuary's client or employer.**

An actuary shall not disclose to another party (unless authorised by the client or required by the discipline process of the member's association, but subject to legal requirements) confidential information (that is, client information that is not in the public domain and of which the actuary becomes aware as a result of providing actuarial services).

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CODE OF CONDUCT REQUIREMENTS

- d) **An actuary shall perform professional services only if the actuary is competent and appropriately experienced to do so.**

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CODE OF CONDUCT REQUIREMENTS

- e) **An actuary is responsible for ensuring that the actuary's work conforms to applicable practice standards in the actuary's work.**

An actuary must take into account any relevant practice-related guidance issued or endorsed by the actuary's Association that is binding on the actuary, and may take into account any non-binding practice-related information that is so issued or endorsed.

An actuary must know the current requirements of the applicable Code(s) of Conduct.

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CODE OF CONDUCT REQUIREMENTS

- f) **An actuary shall, in communicating professional findings, show clearly that the actuary takes responsibility for them.**

An actuary shall indicate the extent to which the actuary or other sources are available to provide the client or employer with supplementary information and explanation about scope, methods and data.

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CODE OF CONDUCT REQUIREMENTS

- g) An actuary shall, in communicating professional findings, identify the client for whom these findings are made and in what capacity the actuary serves.**

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CODE OF CONDUCT REQUIREMENTS

- h) An actuary shall not perform professional services involving the actuary in an actual or potential conflict of interest, unless the actuary's ability to act fairly is unimpaired and there has been full disclosure to all principals of the actual or potential conflict.**

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CODE OF CONDUCT REQUIREMENTS

- i) **When an actuary is asked to take on professional services previously provided by another actuary, the actuary shall consider whether it is appropriate to consult with the previous provider of the professional service to ensure that there are no professional reasons to decline taking on this new responsibility.**

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CODE OF CONDUCT REQUIREMENTS

- j) **An actuary shall disclose to the actuary's client, sources of material compensation or income from any other source that are related to any service on behalf of a client as soon as such source is identified.**

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CODE OF CONDUCT REQUIREMENTS

- k) An actuary shall be subject to the disciplinary procedures prescribed in the rules of the actuary's Association, and, subject to the right of appeal within those rules, shall accept any judgement passed, or the decision of any appeal procedure.**

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DISCIPLINE PROCESS REQUIREMENTS

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DISCIPLINE PROCESS REQUIREMENTS

- **There is a complaint process accessible both by anyone affected by the member's work and by the member's professional peers.**

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DISCIPLINE PROCESS REQUIREMENTS

- **There is a due process of defence available to the member complained against and the member's rights are fully respected.**

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DISCIPLINE PROCESS REQUIREMENTS

- **There is an objective formal appeal process that is independent of the body which has ruled at the prior level.**

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DISCIPLINE PROCESS REQUIREMENTS

- **There are available sanctions appropriate to the level of the offences committed.**

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DISCIPLINE PROCESS REQUIREMENTS

- **The discipline process allows appropriate publicity to be given to the results of a particular case, including the transmission of information to other actuarial associations.**

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REQUIREMENTS FOR STANDARDS OF PRACTICE DUE PROCESS

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PROCESS FOR STANDARDS OF PRACTICE

- **The proposal to consider a possible standard follows an established process**

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PROCESS FOR STANDARDS OF PRACTICE

- **The proposed standard is exposed to members and, where relevant, to third parties for comment**

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PROCESS FOR STANDARDS OF PRACTICE

- **Comments on the exposure draft are considered**

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PROCESS FOR STANDARDS OF PRACTICE

- **The standards are declared and established by an authority that is vested with such powers**

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PROCESS FOR STANDARDS OF PRACTICE

- The standards are published and distributed to members

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10 Years Later

Committee on Professionalism

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Professionalism Committee Terms of Reference

- to identify and discuss issues relating to the professionalism of actuaries worldwide
- to recommend for approval by Council approaches for the IAA to adopt regarding professionalism with respect to cross-border practice and communication of disciplinary actions of member associations

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Professionalism Committee Terms of Reference

- with due regard to subsidiarity, to recommend for approval by Council appropriate approaches for the IAA to adopt regarding aspects of the professionalism of the worldwide actuarial profession, including standards of practice and qualifications to practice in coordination with expectations of actuaries by other worldwide professional forums

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Professionalism Committee Terms of Reference

- upon Council adoption of an approach regarding professionalism, to manage the IAA activities on behalf of the Council accordingly
- to provide guidance to the associations in the interpretation and implementation of IAA standards, if any, and to monitor experience with the IAA standards

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Professionalism Committee Current Activities

- developing due process for adoption of IAA international standards of practice (IASPs)
- considering governance of international actuarial practice, particularly regarding discipline
- addressing professionalism education

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IAA Requirements

Questions?

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The International Actuarial Association
10 Years Later

David Hartman

FCAS, MAAA, FCIA

IAA President (2008)

AAA Past-President (1993-4)

CAS Past-President (1987-8)

IAA Strategic Planning Task Force

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Strategic Planning - Vision

Earlier this year delegates to Council supported the following statements of vision, mission and values for the IAA:

Vision

The actuarial profession is recognized worldwide as a major player in the decision-making process within the financial services industry, in the area of social protection and in the management of risk, contributing to the well-being of society as a whole.

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Strategic Planning - Mission

Mission

The mission of the IAA, as the worldwide organization of actuarial associations, is:

- to promote professionalism, develop education standards and encourage research, with the active involvement of its Member Associations and Sections, in order to address changing needs; and
- to represent the actuarial profession and promote its role, reputation and recognition in the international domain.

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Strategic Planning - Values

Values

The IAA adheres to the values of
integrity

accountability

transparency

and objectivity

when dealing with Member Associations,
other stakeholders and the public

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Strategic Planning – Next Steps

Six strategic objectives proposed:

1. Relationships with key supranational audiences
2. Expansion of scientific knowledge to wider fields to enhance the scope, quality, and availability of actuarial services
3. Common standards of actuarial education and professionalism as well as guidance for actuarial practice
4. Support the development, organization, and promotion of the actuarial profession
5. Provide a forum for discussion
6. Globalization of the actuarial brand

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IAA Strategic Plan

Questions?

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