



SOCIETY OF ACTUARIES

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## Chairperson's Corner

by Michelle Chong Tai-Bell

As this is my first "Chairperson's Corner" for *International Section News*, I feel it is appropriate to begin by reflecting on our Section's statement of purpose:

"To encourage and facilitate the professional development of its members in the areas of international insurance, pensions, or social security programs as well as international areas of practice. This shall be accomplished through activities such as meetings, seminars, research studies, and the exchange of information."

The scope of possible activities in pursuit of our stated purpose is extremely broad, particularly given the diverse nature of the membership, the needs of actuaries practicing in North America being quite different from our overseas membership (many of whom

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## The International Forum of Actuarial Associations

by Chris Daykin

The International Actuarial Association (IAA) was formed in 1895 at the first International Congress of Actuaries in Brussels. Since then, international congresses have been held approximately every four years. The next is the 26th International Congress of Actuaries, to be held in Birmingham, U.K. June 6-13, 1998, celebrating the 150th anniversary of the actuarial profession in the U.K. and indeed, we might say, of the profession worldwide.

The IAA was conceived as an association of individual actuaries from around the world. The IAA's Council is made up of eminent actuaries from all the countries where there are significant numbers of actuaries, together with a couple of representatives of small associations. The ultimate governing body is the General Assembly of individual members convened on the occasion

of each international congress. Associations of actuaries can become what are known as "donating members" by paying a subscription, but there is no accreditation and they do not have any rights to control the organization.

In more recent years the IAA has expanded its scientific activities through the formation of the Actuarial Studies in Nonlife Insurance (ASTIN) section in 1957 and the Actuaries and Financial Risk (AFIR) section in 1988. These sections have organized their own meetings, known as colloquia, which are usually held each year when there is no congress (and sometimes when there is!). Individual members of the IAA can opt to pay subscriptions to belong to ASTIN, AFIR, or both.

The widespread emergence of professional issues at the top of the agenda

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Chiu-Cheng Chang and Randy Makin as assistant newsletter editors. Sincere thanks are owed to John Nigh for his fine work as newsletter editor over the past two years.

The Section also owes a debt of gratitude to Bill Bugg, Bob Katz, and Margarita Davis, whose terms on the Section Council expired in 1997. Bill has dedicated much time and effort to Section activities during his term, doing a creditable job at chairing the Section Council in 1997 and serving as Secretary/Treasurer and Program Representative in the past. Bob and Margarita have both made meaningful contributions to the coordination of International Section sessions at SOA meetings. Bob is particularly noted for his contribution toward expansion of awareness of international social security and pension issues, and he continues to do this through his participation in the 1998 meeting efforts. Bob also served as Vice-Chairperson in 1996.

I have said that the Section can play an integral part in promoting the Society's international initiatives. Our activities will only take on meaning, however, to the extent that they are seen as adding value to our membership. This requires feedback from you. I urge you to proactively communicate your ideas, comments, and suggestions to us. Write to us; give us a call; send us an e-mail message—your Council is at your disposal.

*Michelle Chong Tai-Bell, is Executive Director, Individual Insurance, Maritime Life (Caribbean) Ltd., in Trinidad, and is Chairperson of the International Section Council.*



"No, we don't offer frequent-lost-luggage discounts to the Caribbean."

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for actuarial associations all around the world was one of the main factors leading to the formation in September 1995, at the 25th International Congress of Actuaries in Brussels, of a further section of the IAA, the IFAA. Discussions leading to this began in Montreal in 1992, at the previous congress, under the leadership and inspiration of Paul McCrossan, then President of the Canadian Institute of Actuaries.

Unlike the other sections of the IAA, membership of the IFAA is limited to associations of actuaries, and only professional bodies can be accredited as full members. The IFAA was established with objectives relating to professionalism, education, qualification standards, mutual recognition, representation of the profession's interests internationally, and public interface issues.

The overall direction of the IFAA is encapsulated in its statement of purpose, which is "to encourage the development of a global profession, acknowledged as technically competent and professionally reliable, which will ensure that the public interest is served."

The IFAA offers significant benefits to member associations, including accreditation as members of a recognized international body, support from other actuarial associations, access to information and reports on the experiences of others, the possibility of sharing resources with other associations in tackling issues which have common threads internationally, and a common voice for actuaries at a global level.

With professionalism being at the heart of the IFAA's role, the first criterion for full membership (and initially the only one, apart from being a Donating Member A of the IAA and undertaking to pay the annual fees) is to have in place a code of conduct at least equivalent to that adopted in 1990 by the member associations of the Groupe Consulatif des Associations d'Actuaires dans les Pays des Communautés Européennes (the umbrella body for the actuarial associations in the countries of the European Union). This code is very similar to those adopted by the North American actuarial associations.

Full members must have a formal disciplinary process and must also undertake that, before they issue any standards of practice, they must have in place a

proper due process for developing and approving such standards. There is also a commitment to study what minimum educational requirements should be (by 1998) recommended to Full Members of the IFAA for all newly qualified actuaries after 2005.

**Organization of the IFAA**

The IFAA is governed by a Committee, to which each member association is entitled to send a representative. Committee members carry votes on behalf of their associations and are expected to come mandated to express the views of that association and, if required, cast the votes held by the association. A weighted voting system provides for at least one vote per association and up to four votes for the largest associations, such as the Society of Actuaries and the American Academy of Actuaries. This is intended to give all member associations a reasonable say in the affairs of the IFAA, without the smaller associations being swamped by the larger ones, although dues are based on numbers of individual full members in each association.

Much of the work of the IFAA is expected to be carried out by subcommittees, such as those dealing with accreditation, education, nominations, employee benefits accounting standards, insurance accounting standards, and social security. At the next meeting it is expected that an Insurance Regulation Subcommittee will be established.

The Accreditation Subcommittee determines whether associations meet the criteria for the different membership categories. With 37 associations now admitted as full members, one as an associate member, and four as observer members, a large proportion of the world's actuaries are already included, but there remain a number of other potential members.

The Public Statements Subcommittee was charged with developing guidelines for due process in the event that the IFAA might wish to make a public pronouncement. The first public pronouncement of the IFAA was made early in 1997, having been through the required due process. It took the form of a formal submission to the International Accounting Standards Committee

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(IASC) on the draft international standard on accounting for employee benefit costs in company accounts (E54). The process of preparing a public pronouncement is intended to be as open as possible, with all member associations being invited to participate. The aim is to produce a consensus view, so that all associations will be able to support it. Some associations may not be able to give formal endorsement, since their constitutions preclude them from making any public pronouncements, unless they receive overwhelming support from their membership, which is unlikely to be achievable in practice, particularly in a limited time frame. Pronouncements are described as formal statements of the IFAA, with all the member associations listed, and a further list is given of those associations which participated on the subcommittee which prepared the statement.

The Employee Benefits Accounting Standards Subcommittee was established in response to steps being taken by the IASC to develop a new international standard on accounting for employee benefit costs in company accounts (an updated version of IAS19). The IASC is working to complete a series of new international accounting standards by 1998, in the expectation that they will be endorsed by the International Organization of Securities Commissioners (IOSCO), as required of companies wishing to be quoted on stock exchanges internationally. The new IFAA subcommittee has provided input to the IASC through attendance of representatives at Steering Committee and Board meetings, as well as through a formal submission and follow-up letters. The IFAA still has a number of concerns about the proposals, particularly with regard to the requirement to use corporate bond yields for discounting accrued pension liabilities, regardless of whether or not bonds are an appropriate investment to match the liabilities, and the corridor proposal for recognition of actuarial surpluses and deficits.

An Insurance Accounting Standards Subcommittee has also been established, since the IASC has now started work on an insurance accounting standard. At the request of the IASC, the IFAA has nominated an actuary to the Steering Committee for this standard (Paul McCrossan has agreed to take this role). The new IFAA subcommittee has already been very active, including preparing a submission to

the IASC on a discussion paper on Accounting for Financial Assets and Financial Liabilities and a submission on exposure draft E55 (Impairment of Assets).

The Education Subcommittee is charged with developing guidelines on an agreed common core syllabus for basic actuarial training by 1998, with a view to associations being required to implement them for newly qualified actuaries after 2005.

Substantial agreement has been reached on these guidelines, particularly the foundation actuarial subjects. Some flexibility will be allowed to member associations in implementing them, particularly the weight given to different topics, in order to accommodate different traditions, and the greater degree of practice area specialization inherent in some actuarial qualifications. There is still some work to be done on defining the content at the right level of detail. Ensuring that the core can be interpreted to produce comparable standards in each country is likely to present a challenge.

### **Links with Other International Bodies**

The IFAA has been working hard to develop contacts with a number of other relevant organizations at the international level. The International Association of Insurance Supervisors (IAIS) is itself in the process of establishing its role, and is setting up a permanent secretariat in Basel alongside the Bank of International Settlements.

A session on the role of the actuary was held at the IAIS Annual Meeting in Sydney in September 1997, and further activity is expected to assist the IAIS in the development of common international standards of insurance supervision, including a common approach to recognition of the role of the actuary.

The International Social Security Association (ISSA) has long enjoyed formal relations with the IAA. As it moves to embrace a wider concept of social security, including associated private sector vehicles, and seeks to develop a global debate on the issues surrounding pension reform, opportunities clearly exist for the IFAA to become involved in the dialogue. The IFAA

established a Social Security Subcommittee in August 1997, to take this relationship forward and, in particular, to work with the ISSA to develop a standard of practice for social security actuaries.

### **Looking to the Future**

Consideration is being given by the IAA Council to the future structure of the IAA, with the intention that the IAA itself may become an association of associations. The IAA Council would then take over the role of the IFAA Committee, with a committee structure to carry on the work of the IFAA subcommittees, in addition to functions relating to the scientific sections and the organization of congresses. It is intended to seek approval to the necessary constitutional changes at a General Assembly of the IAA, to be held during the International Congress of Actuaries in Birmingham. The IAA and the IFAA already have a joint secretariat, operated since September 1997 by the Canadian Institute of Actuaries, under International Director Nicole Sèguin.

It is important that the future of the profession at the international level be under the direct control of the actuarial associations.

Actuaries could become the first profession to organize themselves truly on a global basis, with internationally agreed qualification standards, international framework standards of practice, and an international voice. This should facilitate the process of recognition of the profession in countries where this has not yet been achieved.

It is too early to tell what other opportunities may arise. The IFAA has already expanded its role well beyond the scope which could have been envisaged at the time of its founding. It appears that the establishment of the IFAA was not a moment too early. The IAA really came of age at the time of its centenary with the switch in focus represented by the formation of the IFAA. With the proposed changes to the IAA, this professional emphasis will be at the center of the profession's international activities, but without neglecting the interests of individual actuaries and the

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need to push forward the boundaries of actuarial science.

Indeed, the new structure may provide the impetus and the opportunity for further expansion and deepening of the IAA's program of activities for individuals' continuing professional development,

for example, through the creation of new scientific sections for life and health insurance actuaries and for social security and complementary pension scheme actuaries. One way and another, the actuarial profession is now set on course for strong development at the international level.

*Chris Daykin, ASA, is the Government Actuary of the United Kingdom. He was President of the Institute of Actuaries from 1994 to 1996 and Chairman of the IFAA from 1996 to 1997.*

## Recognition of Actuaries and Competition in Europe

by Wilhelm S. Meijer

**Editor's Note:** *Wilhelm S. Meijer, AAG, presented this paper on April 21, 1997 in Zeist, The Netherlands.*



In 1991 the actuarial associations in countries that were members of the European Community decided to implement a mutual agreement to recognize the full members of their associations as colleagues and competitors in the various "home markets" of the EC.

And although there are many complaints about the slowly maneuvering Brussels bureaucrats, this time the actuaries' initiative resulted from steps taken by the EC Council of Ministers, based on the work of those bureaucrats.

In 1989 the EC Council adopted a "Directive on a general system for the recognition of higher education diplomas awarded on completion of professional education and training of at least three years' duration." Let us call the thing the "EC Diploma Directive" or by its abbreviated name "RAS."

In the words (English text) of our Dutch Ministry of Education and Science:

"The aim of the RAS is to protect the rights of people who have followed a course of education or training for a particular profession to enable them to practice the profession in all European Community countries. This means that citizens who have been trained (under comparable conditions) to practice a particular regulated profession in one member state, will also be able to enter that profession in another EC country. The inten-

tion of this directive is to ensure within a short period of time that a person who holds an appropriate higher education diploma from one member state cannot be refused entry to a regulated profession in another Member State on the grounds that he or she does not hold a certificate from the Member State where he or she wishes to work."

In my own words: it is no longer permitted to refuse a citizen of any EC country access to a "regulated profession" in another EC country where he or she wishes to work, if the professional involved has been educated and trained appropriately.

About the concept "regulated profession" our Ministry made the following remark:

"The directive applies to those professions known as regulated professions. In the Netherlands this means those professions for which a higher education diploma is required by or subject to law to gain admittance. Regulation in the Netherlands takes place only by statutory means. Conversely, in the United Kingdom and Ireland regulation of the professions is generally left to the 'Chartered Bodies.'

These are private professional institutions recognized by the government which set the standards for admittance to the professional group."

The aim of RAS is obvious: to promote the free flow of professional human capital over the borders between the vari-

ous member states, taking away any obstacles to fair competition.

The actuaries thought it wise to help the European authorities somewhat by making clear which colleagues in other countries of Europe they themselves considered as really equivalent. They thought that it might be better to lay down an implicit definition of "actuary" before some European civil servant might design a lengthy, precise but unworkable formula for "actuary ..."

However, the legal position was not the same in all countries involved. All member states developed their own mix of laws and customs. Some countries do not possess a written constitution but happen to have detailed charters for regulated professions. Other nation states have lengthy written constitutions, spelling out in detail every citizen's rights, but fail to define the borders of competence for all professions that might have been regulated. So in some countries the definition of an actuary is quite clear: in the United Kingdom such a man or woman simply has to be a Fellow of the Institute of Actuaries or the Faculty of Actuaries.

In the Netherlands the formal definition is somewhat vague, although in practice the actuary is easily recognized: with 99% probability a member of the "Actuarieel Genootschap." In our country the Regulatory Supervisor has

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