



SOCIETY OF ACTUARIES

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FROM IDEA TO DEVELOPMENT THE GROWTH OF AN ACTUARIAL ASSOCIATION

BY TARMO KOLL

STARTING A NEW ACTUARIAL ORGANIZATION is not easy. Fortunately, the International Actuarial Association Advice and Assistance Committee is available to ensure the bulb of thought burns bright.

IN ESTONIA, the new generation of actuaries was employed by the insurance companies in the mid-1990s due to pressure from the predecessor of the current Financial Supervisory Authority. These young people had just graduated from the University of Tartu, mostly as mathematicians, and had very limited knowledge of real actuarial work. Estonia had regained its independence in 1991, and the starting market economy was giving birth to hundreds of new companies in different economic areas—insurance, both life and non-

life, being among the most attractive ones. Seeing the clear need for individuals who had more understanding of the business, including its theoretical mathematical background, the former Insurance Supervisory Authority started to put pressure on the insurance companies to hire actuaries.

Although there was no actuarial organization formed, the profession of actuary had not been completely unknown in Estonia before the Second World War. Actually, the insurance companies who had operated in Esto-

nia during the independence period—from 1918 to 1940—had their own mathematicians, some of whom were quite well-known in society and played an important role in the development of the insurance sector in Estonia. One of the most well-known Estonian actuaries of that time was Karl Saaret, who had to leave Estonia for the United States after the Soviet occupation. Saaret became a member of the Management Board of the George B. Buck's Actuarial Advisory¹ in New York and a member of the American Actuarial Academy in 1965.



However, during the Soviet Union's time of "planning economy," the actuaries were officially not needed as the tariffs were calculated in Moscow for the whole country. There was also no need for any kind of reserves. Solvency and adequate pricing were not issues. Therefore, the first generation of new actuaries started from an empty field and had to build the profession from scratch.

By the end of the 1990s, most of the Eastern European countries (who, similarly to Estonia, had escaped from the "iron curtain") had restored or established actuarial associations. But this was not the case in Estonia. We

mentioned young people (graduates of the University of Tartu) who had been employed as actuaries in Estonia participated in these courses and gained much of their real actuarial knowledge from the different, very good lecturers. It was during these courses when the idea of creating the Estonian Actuarial Society started to emerge more clearly; the year was 1998. The discussions concentrated on topics like the aim of the association, the membership levels and qualification rules, and the different organizational issues.

Finally, the Estonian Actuarial Society was created on Jan. 10, 1999. The initial 17 mem-

related to the syllabus passing levels with full members being equal to the fully qualified actuaries in most developed organizations.

Of course, these self-set standards meant that during the establishment of the association we had no full members! This was done on purpose. We wanted to avoid the situation where the initial members would have some advantage in getting the qualification just because they happened to be the ones who formed the association. Therefore, we decided to organize an additional set of courses and examinations and only those who successfully passed these received the full member status in the society.

Today, the Estonian Actuarial Society has 26 members; of them, only eight are fully qualified. Of course we would like to have more qualified members. There also exists a clear demand for such people in the market, but we have not made the process easier for anyone—it is as difficult as getting an actuarial qualification in any other developed country. In fact, the process may be more complicated; due to the small size, there is no regular examination system. The education committee of the Estonian Actuarial Society considers each membership application separately. A full-member status is given only if the applicant has successfully and completely passed the actuarial syllabus. In addition, full members must have at least two years of experience.

The syllabus for Actuarial Training, which we updated just a year ago, is in line with the Core Syllabus of the Groupe Consultatif in Europe and the requirements of the International Actuarial Association (IAA). It is built in a hierarchical way with different levels being obligatory for different membership categories. Naturally, the requirements include passing the Professionalism course and acquiring specific communication skills. CPD

THE SIZE OF THE ORGANIZATION DOESN'T MATTER; IT'S ALL ABOUT THE PEOPLE.

had been discussing the potential need for such an organization and wanted to be absolutely clear what the purpose of the association would be. We did not want to create the association just to have one. Furthermore, the pressure we felt from the outside world made us a little suspicious. It's not without reason that Estonians are often regarded to be too proud and independent to readily agree to do anything that is imposed from outside. This might be true; but, on the other hand, this may have helped us to survive among much bigger nations.



LAYING THE GROUNDWORK

When the U.K. Institute of Actuaries organized actuarial schools in different Central and Eastern European countries, the real planning for the Estonian Actuarial Association began. One of those schools was in Vilnius, Lithuania, and it operated for a couple of years (1997–1999). Many of the above-

bers were mostly actuaries working in the insurance companies of Estonia, but also included two distinguished professors of probability theory and mathematical statistics who taught at Tartu University. The Statute Book of the association established the aims of the organization, which included the development of the actuarial profession and actuarial science; protecting the rights of its members; and establishing contacts with other professional organizations on the international level. From the very beginning we had decided that we wanted to build a true professional organization that would satisfy the criteria of the international actuarial community. We understood that the only way to do this was setting hard qualification standards to be a full member. On the other hand, we also understood that we are, and will always be, a small organization. Therefore, we needed to use all the available resources. We decided to create three membership categories. In addition to full members, we have associate members and student members. Membership levels are

training forms a part of the syllabus and is required to keep the full-member status, but it is not compulsory for qualifying.

Basic topics of the syllabus are taught at Tartu University as part of the degree programs in financial and actuarial mathematics. There is no teaching on a regular basis for higher level topics. To cover these, the Estonian Actuarial Society has organized the Actuarial Management Program, which consists of modules on different subjects. Many new students select different foreign university and European Actuarial Academy programs to pass the syllabus.

Today, 12 years after forming the association, the scene has changed a lot. The current Law on Insurance Activities obliges all insurance companies to have an appointed actuary. This includes both life and nonlife companies. Due to the characteristics of the pension system—the collection phase includes only investment-related risks and no guarantees; pension payments are handled by the life insurance companies—there are no formal requirements to have actuaries in the pension

funds. Although the Law on Insurance Activities does not mention our association, the requirements set by it to the appointed actuary are almost one-to-one a copy of the society's full member requirements. One of the biggest challenges for the association at the moment is supporting the associate members to qualify so that they can apply for appointed actuary positions at various companies.

It is fair to say that after 12 years in existence, the Estonian Actuarial Society has totally proven its worth and value. Today we are viewed as an equal partner on the state level as well as in business. We are consulting the Ministry of Finance and the Financial Supervisory Authority on the forthcoming legislative changes and give advice on the implementation of the Solvency II regulation, just to name a few of our latest activities. Within companies, actuaries are highly valued and the actuarial departments consist of several people.

The challenges we face today are, however, similar to those we had in the beginning. Marketing the profession and growing in numbers are still essential. The world is changing and we need to keep up to date.

For example, we would very much like our members to be more involved in the risk management area and include enterprise risk management subjects in our actuarial syllabus. Joining the global CERA Treaty is definitely on our next year's agenda. We also need to keep our members active, because due to limited financial resources, all the work in the association is done on a voluntary basis.

In spite of its small size, the Estonian Actuarial Society has been relatively active on the international level. As soon as the association was established, we started to prepare for becoming full members in the international associations. In November of 2001 we received the full-member status in the IAA and after Estonia joined the European Union in 2004 we also got similar status in the Groupe Consultatif.

But being only an institutional member has not been enough for our association members! In 2004 we invited two of the Groupe Consultatif committees to hold their spring meetings in Tallinn. The organization of this event went successfully and we started

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to think about something really big. We decided to celebrate our association's 10th anniversary with a scientific conference and in conjunction with that event invited the IAA to hold its committee and council meetings in Tallinn in May 2009. We had more than 230 delegates from all over the world. The event was really memorable, and the feedback we received was extremely positive. This proves that the size of the organization doesn't matter; it's all about people.

To be honest, we had had some experience in organizing smaller international events before. Over the years, the Estonian Actuarial Society had organized several educational seminars where the students were not only from Estonia, but also from our neighboring Latvia and Lithuania, and the lecturers had come from the United Kingdom, United States, Italy, Germany and other countries. We had seen the need for cooperation with, and help from, the more developed actuarial associations. With organizing the IAA meetings in Tallinn, we express our thanks to the worldwide actuarial community for helping us in the previous years.



HELPING OTHERS GET STARTED

Although there is a lot more to do in Estonia, working on an international level broadens

one's thinking significantly. In recent years, my personal interest has been toward involvement on the IAA level. Since the beginning of 2011 I have been serving as the chairperson of the Advice and Assistance (A&A) Committee. The main role of the A&A Committee is related to strategic objective number four of the IAA, which is supporting the development, organization and promotion of the actuarial profession in those parts of the world where it is not present or fully developed.

The A&A Committee's objective is to provide information, advice and support to local stakeholders, including existing actuarial

associations, and (or in case these have not been organized yet) the regulators, insurance industry, local actuaries and academics.

Typical focus areas are explaining and discussing the role and importance of actuaries in sound management of insurance, pension, health, and other financial security mechanisms; providing advice and examples regarding creating and nurturing a local actuarial association; and developing, maintaining and operating actuarial education, credential, and professionalism processes. We also facilitate formal and informal networking with other actuaries, actuarial associations and resources worldwide.

The way we work is giving support to the local organizations. One possible vehicle has been organizing conferences and meeting in various places all over the world. In these meetings, leaders of the local organizations (if they exist) or just active people who are interested in leading the development of the profession get together and have the opportunity to communicate with the international experts and others.



THE UNIVERSITY OF TARTU IN TARTU, ESTONIA

Our role is to support the local actuarial development and resources, not to design, install or operate an actuarial association for someone. The structure we are operating with consists of the parent committee with regional subcommittees to focus on the most active areas of the globe (China, Africa, Asia, and Latin America). In addition, we have the IAA Fund Subcommittee which focuses on organizing and supporting informational and seminal meetings—locally or regionally.

Definitely, one of the biggest successes over the last years has been helping to develop the actuarial profession in China and guiding the China Association of Actuaries to be-

come a full member in the IAA. Many people in the IAA have been involved in this process, which now has reached its end. With the newly established Asia subcommittee, we are working to focus on the other actuarially developing countries in the region. **A**

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ENDNOTES

¹ <http://www.referenceforbusiness.com/history2/20/Buck-Consultants-Inc.html>.

THERE'S AN APP FOR THAT!

THE SOA IS PILOTING A MEETING APPLICATION to be used on mobile devices (e.g., BlackBerry, iPhone). This "app" will be offered for the Health Meeting, June 13-15 in Boston, and will provide attendees with access to important features of the event, including session information, speakers, handouts and more right from their mobile devices.



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