



Risk Management Framework Through ICPs and Solvency II Requirements: Baku, Azerbaijan

By Carlos Arocha and Dilara Asadova

Right in the South Caucasus region, at the crossroads of eastern Europe and western Asia, lies Azerbaijan, a country that has been cited as one of the top 10 reformers by the World Bank's *Doing Business Report*.¹ Baku, its capital city, hosted an Actuaries Without Borders® (AWB®) workshop titled Risk Management Framework Through Insurance Core Principles and Solvency II Requirements, Dec. 9–10, 2019. Nearly 60 members of the local actuarial association—the Actuarial Association of Azerbaijan (AAA)—attended the event. Workshop participants were primarily insurance company actuaries, but also actuaries from the former insurance regulator, FIMSA;²

the Ministries of Finance, Labour and Social Protection; and the National Academy of Sciences.

With a gross domestic product per capita³ of USD 19,547 and a population of about 10.4 million, Azerbaijan is classified as an upper-middle-income economy by the United Nations. Its insurance sector is thriving, but much actuarial capacity building is urgently needed considering legal and regulatory changes, including the imminent overhaul of regulatory solvency requirements and the adoption of Insurance Financial Reporting Standard No. 17 (IFRS 17).

ACTUARIES IN AZERBAIJAN

Actuarial activity commenced in 2008 with the enactment of the insurance law. The AAA was created in that year. The insurance law prescribes an official roster of actuaries who qualify after passing an exam. There is also the position of “appointed actuary,” who reports directly to the board of directors of the insurance company. However, due to the relatively fast development of the insurance market, the country has an urgent need for qualified actuaries. AWB® and the International Actuarial Association (IAA) have thus helped in the capacity-building process.

ORGANIZATION OF THE WORKSHOP

Considering the need for actuarial capacity building in Azerbaijan, a workshop was jointly organized by Renata de Leers, executive director of AWB®; Dilara Asadova, member of AAA and AWB®; and Gunduz Aliyev, member of AAA. The workshop



Attendees at the 2019 actuarial conference in Azerbaijan



facilitator was Carlos Arocha, a long-standing volunteer of AWB®, who completed his fourth mission with the AWB®.

The agenda included the following topics:

- Global view of the International Association of Insurance Supervisors (IAIS) and its standards
- Corporate governance (Insurance Core Principle No. 7)
- Risk management and internal controls (Insurance Core Principle No. 8)
- Enterprise risk management for solvency purposes (Insurance Core Principle No. 16)
- Reporting requirements in Solvency II
- Comparison of the IAIS and Solvency II frameworks
- The actuarial education: qualified actuary and CERA

Alongside these sessions, multiple references were made to regulatory paradigms, such as Solvency II, the Swiss Solvency Test, and IFRS 17, as well as modern industry practices in both advanced and emerging insurance markets. The theoretical aspects of the workshop syllabus were complemented by engaging discussions.

With new courseware on corporate governance and risk management, AWB® is ready to support other regions in their actuarial capacity building.

On a personal note, I (Carlos) enjoyed working with the Azerbaijani actuaries. Their cordial reception, excellent hosting and

fine dining provided a friendly setting to intellectual exchanges about the actuarial profession and the future of the insurance industry. I am indebted to the organizers and everyone who contributed to the success of the workshop. I hope to have another opportunity to visit!

For further information, please visit the [AWB®](#) page on the IAA website. ■



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ENDNOTES

- 1 Most Improved in Doing Business 2009, *The World Bank*, n.d., <https://www.doingbusiness.org/en/reforms/top-reformers-2009> (accessed Feb. 14, 2020).
- 2 FIMSA, the Financial Market Supervision Authority, was disbanded by presidential decree on Nov. 28, 2019, just a few days before the start of the workshop. As of this writing, FIMSA's regulatory authority has been transferred to the Central Bank of Azerbaijan. See "Financial Market Supervision Authority Liquidated," *ABC.az*, Nov. 28, 2019, <http://abc.az/en/news/37055> (accessed Feb. 5, 2020).
- 3 Gross domestic product at purchasing power parity, international dollars. See World Economic Outlook Database, *International Monetary Fund*, January 2019, <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019> (accessed Feb. 6, 2020).



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The Competency Framework: Design Your Future (Part 2)

By Richard Junker and Curtis Lee Robbins

Editor's note: This is the second article in a series of three first printed in The Actuary of the Future, issues 39-41, covering the Society of Actuaries (SOA) Competency Framework. The final article will appear in a future issue of International News.

In the first article, we addressed:

- What is the Competency Framework?
- Why did the SOA design the Competency Framework?
- Where are actuaries today?
- Where will *you* be in five years?

In this article, we will address gearing up for designing your future. Using the SOA Competency Framework for Actuaries and the complementary Self-Assessment Tool can help you create a plan to design your professional, continuing education and volunteer experience to achieve success in your career and personal development. Consider your personal experience and inspirations as you build your plan.

SETTING YOUR PERSONAL GOALS

Actuaries are always comparing themselves to others. We wonder at early career, mid-career, late career, “Can I cut the mustard? Am I **competent**?” (Precept 1, Code of Conduct)

In 1934, the supernova star of the Detroit Tigers was Schoolboy Rowe, 23 years old and the winner of 24 games that year—16 in a row. He was on the Rudy Vallee radio show in late September, being interviewed before a nationwide audience. Midway into the interview, he called out, “How ’m I doin’, Edna?” Now, Edna was his high school sweetheart. They married after the World Series that year. All the female baseball fans loved Schoolboy for his handsome mug and charm, but especially



for his head-over-heels rapture for his sweetheart, Edna. But opponents razed him for years after, every time he got into a pitching jam. “How ’m I doin’, Edna?”

We actuaries are the same as Schoolboy. (Except I can’t pitch.) We ask our spouse, “How ’m I doin’?” We ask our parents, “How ’m I doin’? Aren’t you proud of me? Don’t you just love me?” Puddles, we are.

It’s tempting to compare ourselves to our peers. For example, the salary surveys say an actuary of 20 years’ standing is earning on average \$200,000 a year. We well know that any average is skewed. In this case, the number is skewed by some actuaries who are now C-suite residents, earning upward of \$1 million a year. So we consider our \$150,000 salary, and fret that we are a full standard deviation below the mean. Yet we are still earning more than most state governors!

Wherever you stand in the actuarial firmament today, to remove this troubling source of psychic pain, you need to define your own personal standards of competence and excellence. This is where the SOA Competency Framework comes in. You set your personal and business goals and measure yourself against them, just as an athlete does as he trains to be the best he can be. A pole vaulter may go to a meet, only clear 17 feet and finish

in fifth place. But it's a personal record for the athlete, and his coach is delighted. If you are to be a good coach unto yourself, cut yourself some slack and forget about the world beaters, the C-suite denizens—focus on your own growth. Focus on your personal development plan.

FIND YOUR NOBLE PURPOSE

Now that we have established that measuring our progress is an internally directed endeavor, we next face the enthusiasm hurdle. Yes, the Society of Actuaries Competency Framework tools are ingeniously conceived, but the worksheets can be a bit tedious. Where shall we find our noble purpose, the passion, the stamina, to design our future?

We cleared the foremost hurdle to becoming credentialed actuaries by the admirable trait of doggedness. Yes, we can credit ourselves with strong elements of talent, brains and curiosity as well, but mostly it takes doggedness to clear the bar to Associateship, then to Fellowship. The hurdles we cleared during several years were well-defined. Continuing education is far less clearly defined. “What shall I do next?” is the question that will face us from now on. First, of course, we encounter another less-than-exhilarating ongoing requirement: professionalism training; then attestation; then recording our continuing education, so that we may be reasonably inoculated against a visitation from the Actuarial Board for Counseling and Discipline (ABCD).

Now you are urged on to a new exercise in career gratification, to “Design Your Future,” to complete the Competency



Framework exercise. Before you can do justice to creating your five-year plan of personal development, you will need to first ramp up your imagination and your capacity to dream.

REFINE YOUR DREAMS BY CONSIDERING YOUR HEROES

Looking deeply to the past, we all drew our passion from an early love of mathematics. For me, it was the joy in first grade of endlessly writing the numbers from 1 to 100 in my Big Chief lined pad. Then it was on to second grade, where I had the fortune to own a pencil box with a roller to dial the multiplication table to 10×10 . I had them memorized before we were introduced to carry addition. Then in fourth grade it was my first database: a pack of 20 baseball cards loaded with numbers to memorize.

“What I’ve dared, I’ve willed, and what I’ve willed, I’ll do.”
—Captain Ahab in Herman Melville’s *Moby Dick*

For many future actuaries, the math by itself was enough to excite us. Yet all through elementary school, middle school, high school and college, no teachers ever introduced us to the heroes of math. Why did they invent these math concepts? Who were these guys—Chebyshev, Riemann, Stieltjes, Lipschitz, Gauss? What problems did they solve? Did they have wives, kids? Who paid them to invent math?

By now, you have acquired your own heroes. Exploring their lives, we learn how they found the passion that drove them to extraordinary accomplishment, to overcoming intimidating hurdles. They found their personal noble purposes and their fonts of courage. (I invite you to learn more about four of my heroes—my inspirations—for their intellect, vision, artistry, interpersonal versatility and courage: Johannes Kepler, Alexander von Humboldt, Ada Lovelace and William Shakespeare.)

What will you gain from reading biographies of famous people and the Classics? You will learn how they put their ideas across to mobilize audiences, to be fully equipped to make moral and ethical judgments, and to master the primary tool, our majestic English tongue.

Yes, courage comes in here somewhere if you are to reach your own heroic potential. Consider the competency of Communication. If you are to leverage your talent, you need to be comfortable in speaking to large audiences. The people who do the talking get a disproportionate share of life’s rewards.

Fear of public speaking ranks higher than fear of death in day-to-day living. Given the choice, many will prefer to be in the

coffin over giving the eulogy. If speaking is holding you back, go immediately to a Toastmasters meeting. In six weeks, your fear will be substantially assuaged. Contact Nathan Worrell, FSA, MAAA, and a Toastmaster. Connect with him via LinkedIn. Toastmasters transformed his life.

First cousin in merit to the Toastmasters program is the Dale Carnegie course(s). A now very-senior actuary and good friend recounted his transformation through Dale Carnegie:

Cliff had always adored mathematics. To this day, he can recite 100 digits of π . By age 25, he had already completed the Fellowship exams, and was rewarded with his first management position. A year later, he received his first performance review. His manager told him, presumably with more tact: “Cliff, your management skills are grievously lacking. You need to improve your interpersonal skills in a hurry.”

Licking the wound, he recalled a conversation from childhood with his grandmother, “When your grandfather was starting his sales career after college, after the war, he was struggling terribly. His sales manager advised him to take the Dale Carnegie course. His sales and his career took off immediately from there, and today he has long been the anchor of our big family, the patriarch of the clan.”

Cliff approached his manager, appealing, “Boss, I agree I need to improve my skills, so I propose that you approve me to attend a Dale Carnegie course.” Mind you, the course costs about \$2,000 these days. It was not cheap back then, either. His manager’s reaction was, “Ah, that’s soft stuff with no substance. No, I cannot approve you to go to Dale Carnegie. Go to a pricing seminar.” Cliff proposed an alternative, “How about if I pay for the course myself, then you judge afterward whether it has improved my human relations skills?” His manager reluctantly agreed, with nothing more committed.

A few months later, Cliff returned to his manager, certificate in hand. “Boss, I’ve completed the course. Will you reimburse me please?” His manager replied, “I’ve thought about it some more, but I still think that Dale Carnegie has no lasting value, it’s just play time, piffle.” Cliff probed, “Tell me why you feel that way.” His manager replied, “OK, tell me where to sign.” Obviously, Cliff had learned at Dale Carnegie an essential interpersonal skill—how to overcome objections.

Before moving along to the mechanics of how to use the SOA Competency Framework tool to create your personal development plan, yet one more hero deserves tribute: The Actuary Volunteer—to be specific, my former manager, Steven A. Smith.

Back in the mid-’80s, cash-flow testing was first introduced with a 25-page National Association of Insurance Commissioners (NAIC) regulation that deeply challenged the entire profession: how to implement it; what software to use; what hardware to buy. Smith was for eight years the chair of the Valuation Actuary Symposium. He was mother hen to every session, constant interlocutor at the Ask the Experts sessions at the closing of each year’s meeting. He absorbed every best practice and ported it back to his company. Even more valuable to his organization, he knew all the talented actuaries in the country. His own technical prowess was impressive, but his company grew mighty from all the actuarial talents he identified and reeled in. Leverage. You have to put yourself out there to reap the full benefit of being an SOA member.

And now, with the groundwork prepared . . .

In our final installment, we will discuss how to implement your Self-Assessment results and personal development plan. In the interim, we welcome your feedback. Our goal is to have this series address your questions and needs and to help all actuaries of the future to design a future they will find meaningful and rewarding.

REFERENCES

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