

IAA Delegate Council & Committee Reports Budapest, Spring 2017

EXECUTIVE SUMMARY

The Society of Actuaries (SOA) sent a delegation to the recent council and committee meetings of the International Actuarial Association (IAA), held in Budapest, Hungary, April 18–23, 2017. The IAA exists to encourage the development of a global actuarial profession, acknowledged as technically competent and professionally reliable, through its support of the research, education and development of the profession. It has 70 full-member associations (FMAs) and 28 associate-member associations (AMAs).

The SOA has been a longtime member of the IAA and has representatives on key IAA committees. The SOA supports the mission of the IAA, particularly as it relates to building a strong global actuarial profession and serving as a forum for discussion and idea sharing among actuarial associations. Being an FMA and actively participating in IAA council and committee meetings allows the SOA extensive opportunities for networking with other international actuarial organizations. This happens both through the IAA meetings and events and through SOA-organized bilateral meetings held with other actuarial organizations. Additional opportunities for the SOA to engage occur with groups that take the opportunity of the IAA meetings to hold meetings, such as the Chartered Enterprise Risk Analyst (CERA) Global Association (CGA) Board. During the CGA board meeting in Budapest, they reported updated figures on the number of CERAs worldwide. As of March 31, 2017, there are 3,806 CERAs, of which 2,126 came through the SOA pathway. This total number represents over 6 percent of the estimated 60,000 actuaries worldwide.

There were several opportunities where SOA research was presented at the IAA meetings. Dale Hall, Managing Director of Research for the SOA, presented during the Mortality Working Group (MWG) sessions to highlight SOA mortality research topics, including individual and group annuity tables, pension mortality table work, upcoming releases on 2015 population mortality, and a review of Human Mortality Database research on causes of death. He also copresented with Craig Hanna, Director of Public Policy for the American Academy of Actuaries (Academy), on an update of the Actuaries Climate Index. The copresentation was an opportunity to bring this international topic to the forefront and illustrate for other associations the opportunity they have to do similar investigations of climate data.

The following report summarizes the responsibilities and key actions of the IAA committees and working groups on which SOA representatives serve as reported at the April 2017 council and committee meetings in Budapest. This report has been prepared for SOA members so that they better understand how the SOA is engaging with the international actuarial community and as a means for sharing key decisions and information of interest to our members. We encourage members to focus on the committee reports related to their area(s) of practice. Additionally, we expect members will find the report on the meeting of the IAA Council, the governing body of the IAA, to be of interest.

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IAA Council

The council is the governing body of the IAA in relation to achieving the IAA's vision statement and mission statement through the strategic objectives set out in the strategic plan adopted by the council from time to time.

The IAA Council meeting included a number of routine business items along with a presentation by guest speaker, Victoria Saporta, Chair of the International Association of Insurance Supervisors (IAIS) Executive Committee. The council approved the membership of the Asociación Centroamericana de Actuarios (ACEA–Central America) as a full-member association. In addition, there was a brief update on the IAA strategy review with IAA leadership reporting that they have been reviewing the survey results received from member associations and will be bringing more specific recommendations to the Fall 2017 meeting.

A significant council discussion topic was the proposed IAA education syllabus. The IAA education syllabus was approved by the IAA Education Committee in early 2016, but has not yet been approved by the IAA Council. A coalition of organizations, including the SOA, strongly urged IAA leadership to adopt the IAA syllabus as soon as possible via an electronic vote. This was discussed during the council meeting, and IAA leadership announced that they would recommend adoption of the proposed syllabus under current IAA rules via an electronic vote.

A link to the full agenda and meeting materials is available [here](#).

Accreditation Committee

The Accreditation Committee is responsible for examining applications for IAA membership, reviewing membership requirements and bringing recommendations forward to the council on a timely basis, including specific situations where members do not maintain compliance with the requirements of membership.

IAA President Tom Terry recommended that the committee should be renamed to the Membership Committee, stating that the IAA/Accreditation Committee does not accredit FMAs and only confirms that they satisfy membership requirements. The Accreditation Committee discussed a number of membership-application-related topics, including receipt of four new membership requests that are to be reviewed.

In addition, the committee covered administrative items, such as outstanding IAA confirmation forms, changes to membership procedures, and recommending certain changes to IAA Internal Regulations. Currently, a number of requirements must be satisfied by AMAs but not FMAs. The committee agreed to move these requirements from AMAs to FMAs. The committee also noted that they will be reviewing changes in professionalism programs at a number of FMAs.

A link to the agenda and full meeting materials is [here](#).

Advice and Assistance Committee

The Advice and Assistance Committee supports the development, organization and promotion of the actuarial profession and actuarial education in areas of the world in which the actuarial profession is not present or is not fully developed, by providing advice and assistance, when requested, to member

associations, to associations seeking to become members of the IAA, and to those wishing to establish new associations or strengthen existing associations.

Prior to the formal IAA meetings, the Eurasia subcommittee sponsored a one-day seminar targeted to associations in the region. At the IAA committee meeting, the committee heard updates on the work of each regional subcommittee, including Africa, Asia, Eurasia and Latin America. There was also discussion of a joint regulatory event in China sponsored by IAIS and IAA, and funded by the Asian Development Bank (ADB). The committee also explored the idea of online professionalism training targeted to developing associations, and discussed preparations for the International Congress of Actuaries (ICA) 2018-bursary committee.

A link to the full agenda and meeting materials is available [here](#).

Education Committee

The Education Committee is responsible for encouraging and promoting the development, maintenance and enhancement of appropriate standards of actuarial education and continuing professional development (CPD) internationally.

During the Education Committee's meeting, the Actuarial Society of South Africa (ASSA) described a new needs-based continuing professionalism development (CPD) program similar to the SOA's Associateship Professionalism Course (APC) and the [Competency Framework Self-Assessment Tool](#). Members assess their skills, identify areas for improvement, develop a plan to improve those skills, implement the plan, then assess results, and repeat the process the next year. It is voluntary now, but will likely be mandatory soon. The German Association of Actuaries (DAV) also described their professionalism course, which is also very similar to the SOA's APC. The SOA shared information about the comprehensive courses included in their Normative Skills program.

Education programs for two associations were approved during the meeting. The committee will also be reviewing changes to several FMA education programs. They will also continue discussions of the CPD and Normative Skills education programs for a number of associations at the next IAA meeting in Chicago.

A link to the full agenda and meeting materials is available [here](#).

Enterprise and Financial Risk Committee

The Enterprise and Financial Risk Committee considers, from the point of view of the actuarial profession, matters relating to investment and financial risk, to report to the council and to recommend initiatives.

Progress continues on the *IAA Risk Book*, with three more chapters being prepared for publishing. In addition, the Risk Book Group within the Insurance Regulations Committee is now forming three task forces: Awareness, Maintenance and New Content.

A proposal for a project on enterprise risk management (ERM) failures was recommended to the committee. This project was proposed to identify, study and publish ERM failures in some form as an educational tool. A number of committee members volunteered to work on a formal proposal that will be presented to the committee at the IAA meeting in Chicago this year.

A link to the full agenda and meeting materials is available [here](#).

General Insurance Committee (GIC)

The purpose of the GIC, formed in 2016, is to promote the actuarial viewpoint in discussions at the international level on matters relating to general (P&C) insurance systems and related self-insurance matters, with a particular focus on actuarial aspects. GIC promotes sharing of GI-specific knowledge, skills and standards with a global perspective.

As in previous meetings, the GIC meeting focused on developing relationships with other committees and organizations. Representatives from a number of outside groups presented during the meeting, including the Advice and Assistance Committee, which discussed potential projects on creating awareness of the value actuaries bring to the insurance process. They believe this is important for educating insurance company management and regulators in small and developing regions. This is a recurring theme also expressed by GIC committee members from those small and developing regions.

There was also significant discussion with the IAA's Section for Actuarial Studies in Non-life Insurance (ASTIN) around the committee's feedback on the [Risk Adjustment Monograph](#) that was exposed in November 2016. The next update to the monograph is projected to be around October of this year, and the GIC will provide further feedback at that time. Additional feedback from the GIC was requested by the Insurance Regulation Committee regarding risk margins, such as margin over current estimate (MOCE), Risk Book chapters, and on mapping Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

Discussion also revolved around potential research areas. The concept of "The Changing Consumer Experience" will be referred to the Big Data working group for consideration, as it involves the more data-driven "journey-mapping" of the consumer experience. The committee again discussed the idea of "Basic Data Needs of the Motor Insurance Actuary."

A link to the full agenda and meeting materials is available [here](#).

Health Committee

The Health Committee is charged with representing the IAA in discussions at the international level on matters relating to health systems, with a particular focus on actuarial aspects. It also aims to raise the profile of health actuaries in policy debates and research on health systems, and to support, through IAA member associations, actuaries working in the health systems field, both private and public.

Establishing relationships with international bodies remains the top priority for the Health Committee. There was discussion around the need for a more structured relationship with these organizations, with a representative to act as "Account Executive" responsible for the focus of the relationship. An example of this is the discussion specifically regarding the World Health Organization (WHO). Unfortunately, WHO appears to view the actuarial profession adversely due to a generally incorrect perception that actuaries' jobs are to find ways to exclude consumers from health coverage, whereas the WHO's mission is universal health coverage. To proactively address this, a subcommittee will be formed to create a background presentation for the committee to review and decide on next steps at the upcoming Chicago IAA meeting this year. The presentation will include information on any previous contact made with WHO and the International Labour Organization (ILO), including contact by the IAA and any results of that contact.

Updates were also provided on a number of briefing notes that are in process. A [note on personalized medicine](#) has been completed, reviewed by the Scientific Committee and distributed. A future webcast around the note is currently being prepared. An updated note on health care actuaries and big data has been drafted and will be circulated to the committee members. A final decision on whether this note will be an internal note (for actuaries only) or a Briefing Note (for a broader, external audience) will be made based on the next version, which is projected to be completed prior to the upcoming Chicago IAA meeting. A rewrite of a note on medical inflation (what is referred to as “medical trend” in the United States) has been initiated and will be circulated to the committee for discussion at the Chicago IAA meeting. There was agreement that a glossary or definitions section would be useful, since the term “medical inflation” has no recognized global definition. At this stage of the process, the objective of the note is to inform policymakers that increases in costs emerge not just from prices but from other factors (such as quantity and intensity of services, new technology and drugs, and changes in mix of patients).

A link to the full agenda and meeting materials is available [here](#).

Insurance Accounting Committee (IAC)

The IAC seeks to promote the actuarial viewpoint in the development and application of financial reporting of insurance companies as developed by international accounting standard setters, including but not limited to the estimation and review of reporting values for insurance contracts prepared in the context of International Financial Reporting Standards (IFRS).

Based on the news that the International Accounting Standards Board (IASB) has decided not to invite actuaries to be on the Implementation Advisory Group, the IAC’s chair will reach out to the IAA Executive Committee to request they ask the IASB to reconsider. The committee also discussed coordinating an effort to field questions and disseminate information regarding the implementation of IFRS 17 as it takes place. Further conversations with the IAA will determine their ability to commit resources to an effort such as this.

The Education and Practice Subcommittee (EPSC) has made minimal progress on International Actuarial Notes (IANs) since the fall 2016 meeting in Cape Town; however, they made specific plans to work on IANs for the upcoming Chicago meeting, based on the long-anticipated release of IFRS 17.

A link to the full agenda and meeting materials is available [here](#).

Insurance Regulation Committee

The Insurance Regulation Committee is charged with promoting the role of actuaries in the regulation and supervision of insurers to serve the public interest, supporting the creation of international principles and frameworks for regulation and supervision of insurers to have actuarial principles realized where appropriate, and maintaining and strengthening relationships with key international organizations dealing with the regulation and supervision of the insurance and reinsurance industry.

The committee discussed various regulatory developments from around the world, including Germany, the United Kingdom and the United States. In Germany, there is a new regulation for risk management governance. In the United Kingdom, consultants, regulators and insurers have all reported to the Treasury that Solvency II has produced an overall improvement in risk management. In the United States, the future of federal insurance regulation is under question as the current administration is not

publicly supportive of the Dodd-Frank legislation. Additional progress was made on four chapters of the Risk Book project: Capital, Risk & Uncertainty, Dynamic Hedging, and Stress Testing.

The committee has also received positive feedback on their work from the IAIS, and they have expressed a desire for more feedback from the IAA on various matters. By providing actuarial input to the IAIS that they value, the committee is helping position actuaries as leaders in measuring and managing risk of insurance companies.

A major similarity that has become apparent through conversation is that most of the world is moving to principles-based systems for regulatory accounting and capital standards. The differences were in how each region made the move. Recent political changes in the world regarding nationalistic tendencies (e.g., Brexit in the United Kingdom and the Trump administration in the United States) are likely to exacerbate the differences. As noted earlier, the Risk Book Group was restructured by forming three task forces: Awareness, Maintenance, and New Content.

Additional action items the committee agreed on during the meeting were to write a treatise on MOCE and provide it to IAIS by this fall, and to review and comment on IAIS Insurance Capital Standard (ICS) Version 1.0.

A link to the full agenda and meeting materials is available [here](#).

Pensions and Employee Benefits Committee (PEBC)

The PEBC is responsible for dealing with matters arising out of the promulgation of the IASB Employee Benefits Standard, addressing any professional issues of international relevance for actuaries working in the field of employer-provided pensions and employee benefits, coordinating as needed with the Committee on Social Security, providing support to the proposed IAA Pensions section if established, and establishing links with other worldwide pension organizations as may be appropriate.

The committee heard a [brief overview](#) of how stress testing is approached in the United States, as well as a review of the proposed actuarial standard of practice (ASOP) on risk for the United States. There was further discussion on the draft [funding monograph](#), with news that the paper should be published in the coming weeks. The committee also discussed the [Melbourne Mercer Global Pension Index study](#), which evaluated global retirement income systems around the world by using over 40 benchmarks. It included social security systems (tier 1) and private sector arrangements (tier 2), with a goal to evaluate possible best practices. The committee discussed the value of the research, as the over 40 benchmarks may make it appear more precise than is realistic. The study also avoided the practical limitations brought by the countries' economy and politics. The Academy's AGES initiative was discussed. AGES primarily looks at U.S. (and select Canadian) systems to evaluate them by using four benchmarks, but looks at only tier 2 benefits.

A link to the full agenda and meeting materials is available [here](#).

Professionalism Committee

The Professionalism Committee encourages and promotes the development, maintenance and enhancement of appropriate standards of professional actuarial education and practice internationally.

The committee agreed on the last steps to finalize the "Principles of Professionalism" guideline and approved the "Framework for Production of Professional Guidelines." They discussed whether IANs

were needed and their definition within the development of the IAA model standards. Since the Canadian Institute of Actuaries (CIA) commented that IANs are very useful to them, the question of should the IANs be framed more as practice notes or educational notes with language clarifying that they are not standards was voiced. Further discussion will take place at future meetings. The Actuarial Standards Committee (ASC) chair noted there has been progress on ISAPs 1, 4, 6, and 7.

The committee agreed upon a separate action item to choose member associations whose representatives will present to the committee in the future on their disciplinary schemes. There is also a working group on providing advice with respect to applying standards when working outside one's home country. They will concentrate on preparing a short statement of the principles involved.

A link to the full agenda and meeting materials is available [here](#).

Scientific Committee

The Scientific Committee's mission is to coordinate activities among working groups, ensure compliance with IAA governance, and provide a vehicle for communication with supranational organizations.

A link to the full agenda and meeting materials is available [here](#).

Mortality Working Group (MWG)

The MWG of the Scientific Committee provides insights on the level of mortality rates around the world.

Prior to the meeting, the MWG held a joint one-day seminar with the Population Issues Working Group titled "Current Developments in Aging and Mortality." The agenda and presentations are available [here](#). Due to its success, another seminar will be held in Chicago. Planning for this upcoming joint seminar, titled "International Insights on Mortality, Population and the Public Interest," has begun.

During the MWG meeting, it was noted that the MWG is expanding the number of countries represented, followed by discussion on members actively involved in committee work. The MWG provided updates on their five current research projects: annuitant/pension/life/population mortality, older age mortality, long-term drivers of future mortality, older age mortality improvement and [e-cigarettes](#). Another potential new research project on pandemics was discussed. Additionally, Andrew Cairns from the Institute and Faculty of Actuaries (IFoA) presented on [international research in mortality](#), and Dale Hall presented on [SOA mortality research](#). Numerous presentations were made on country-specific mortality trends and evolution, such as [mortality trends in Hungary](#) and [smoking and obesity](#) by Sam Gutterman. In addition, several other presentations covered issues such as [forecasting mortality using logistic equations](#). The MWG also heard an update on the SOA Living to 100 Symposium and the [Longevity Research Workshop](#) in Australia.

A link to the full agenda and meeting materials is available [here](#).

Glossary

AMA	Associate-member association of the IAA
APC	Associateship Professionalism Course of the SOA
ASC	Actuarial Standards Committee of the IAA
ASOP	Actuarial standard of practice for the five U.S.-based organizations
ASTIN	IAA Section for Actuarial Studies in Non-life Insurance
CERA	Chartered Enterprise Risk Analyst credential
CGA	CERA Global Association Board
CIA	Canadian Institute of Actuaries
CPD	Continuing professional development
EPSC	Education and Practice Subcommittee of the IAA Insurance Accounting Committee
ERM	Enterprise risk management
FMA	Full-member association of the IAA
GIC	General Insurance Committee of the IAA
IAA	International Actuarial Association
IAAHS	International Actuarial Association Health Section of the IAA
IAC	Insurance Accounting Committee of the IAA
IAIS	International Association of Insurance Supervisors
IAN	International Actuarial Note
IASB	International Accounting Standards Board
ICA	International Congress of Actuaries
ICS	Insurance Capital Standard of the IAIS
IFoA	Institute and Faculty of Actuaries
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
ISAP	International Standard of Actuarial Practice
MOCE	Margin over current estimate
MWG	Mortality Working Group of the IAA Scientific Committee
ORSA	Own Risk and Solvency Assessment
PEBC	Pensions and Employee Benefits Committee of the IAA
SOA	Society of Actuaries
WHO	World Health Organization