

The International Actuarial Association

Presentation to the Allianz Oxford 2010 Conference by Paul Thornton, President IAA, delivered by Chinu Patel FIA, Consultant

***MOVING THE PROFESSION
FORWARD INTERNATIONALLY***



The International Actuarial Association

- Originally formed in 1895, reconstituted in 1998, and restructured in 2010
- The IAA has 63 Full Member Associations and 22 Associate Member Associations, representing over 50,000 actuaries in over 100 countries
- Extending accessibility to high quality actuarial services worldwide



Institutional/Observer Members

- International Association of Insurance Supervisors – IAIS
- International Social Security Association – ISSA
- International Accounting Standards Board – IASB
- International Organisation of Pension Supervisors – IOPS
- Organisation for Economic Cooperation and development - OECD



The Vision of the IAA

- The actuarial profession is recognised 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.



The Mission of the IAA

- To represent the actuarial profession and promote its role, reputation and recognition in the international domain
- 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



Strategic Objective 1

- Identify, establish, and maintain relationships with key supranational audiences and provide them with actuarial input to improve the soundness of decisions being made on important issues with a global impact.



Strategic Objective 2

- Facilitate the use and expansion of the scientific knowledge and skills of the actuarial profession, including beyond the traditional areas of actuarial practice, to help enhance the scope, availability, and quality of actuarial services offered by individual members of its member associations.



Strategic Objective 3

- Establish, maintain and promote common standards of actuarial education, common principles of professionalism and model standards of actuarial practice for use by member associations worldwide.



Strategic Objective 4

- Support the development, organization and promotion of the actuarial profession in areas of the world in which it is not present or is not fully developed.



Strategic Objective 5

- Provide a forum for discussion among actuaries and actuarial associations throughout the world.



The IAA

The International Actuarial Association provides a vital vehicle for coordinating worldwide engagement of the actuarial profession



IAA Activities in Pensions

- Pensions and Employee Benefits Committee – interacts with IASB, OECD, IOPS
- Social Security Committee – ISSA, ILO
- Pensions, Benefits and Social Security Section – colloquia and research
- Mortality Working Group – also longevity
- Population Issues Working Group - ageing



Mortality Working Group

- Create an authoritative body of knowledge
- Data sources and collection
- Research
- Coordination of input to projects



Mortality and Longevity Needs

- Social Security – the cost of old age support
- Health care – cost of public/private provision
- Pension funds – funding of DB schemes; adequacy of DC schemes
- Life insurers – solvency and pricing
- Care services – implications



Population Issues Working Group

- Identify population issues of interest to actuaries – initial focus is ageing and migration
- Monitor population studies and research
- Create a network of interested actuaries and others



IAA Engagement with the Global Financial Crisis

- Task Force produced papers and recommendations
- Presented to Financial Stability Forum , IAS Financial Stability Committee and elsewhere – IMF and World Bank to follow
- Actuarial approaches to insurance recognised as relevant to the banking sector



The Global Financial Crisis

- “Dealing with Predictable Irrationality – Actuarial Ideas to Strengthen Global Financial Risk Management” – IAA Feb 2009

Targeted at the Financial Stability Forum, Governments, and major financial institutions

Presented to the Joint Forum, of IAIS, BCSB, IOSCO

- “The Global Financial Crisis – What Next?” – IAA July 2009, focused more on insurance and pensions



Prevention of future financial crises

The G 20's
common
principles for
reform:

- Strengthen transparency and accountability
- Enhance sound regulation
- Promote integrity in financial markets
- Reinforce international co-operation
- Reform international financial institutions

Actuaries believe
additional
measures are
needed:

- Introduction of more counter-cyclical regulatory arrangements
- Creation of Country Chief Risk Supervisor role
- Wider use of comprehensive risk management concepts in banks and non-regulated sector
- Improved use of ERM & risk governance



Pension Funds in the Crisis

- Pension Funds were victims of the crisis not perpetrators
- However falling asset prices increased deficits - which raised funding requirements - which affected companies ability to pay dividends or make capital investments – which depressed share prices – ie they transmitted systemic risk



Pension Risk Issues

- Need for counter-cyclical measures
- All pension schemes have risks – DB risks are with the employer, DC risks are with the member – risk-sharing designs merit attention



ERM for Pensions

- Enterprise Risk Management well understood in insurance but not pensions
- Risks throughout the arrangement are identified and evaluated from the viewpoint of employer, trustees/administrators, members
- Focus on investment, funding/covenant , operational risks



ERM and the IAA

- 12 Full Member Associations have collaborated in a Chartered Enterprise Risk Analyst credential
- Promoting the role of the Actuary in ERM



IAA Sections

- ASTIN – Actuarial Studies in Non-life Insurance
- IACA – International Association of Consulting Actuaries
- AFIR – Actuarial Approach for Financial Risks
- IAAHS – IAA Health Section
- PBSS – Pensions, Benefits and Social Security
- AWB – Actuaries Without Borders
- LIFE – Life Section



IAA Sections

Actuaries and others with a professional interest in pensions may join the PBSS Section and get involved

www.actuaries.org

