



AMERICAN ACADEMY of ACTUARIES

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Thomas F. Wildsmith IV, MAAA, FSA, *President*

March 11, 2016

Dear Members of the IAA Executive Committee:

I'm writing to provide the American Academy of Actuaries' perspective on the recently released revisions to the proposed IAA Education Syllabus. This letter will focus on the way in which the proposed syllabus would, if adopted as currently described by the Syllabus Review Task Force, fundamentally change the relationship between the International Actuarial Association (IAA) and its Full Member Associations (FMAs). We will submit our technical comments on the details of the revised proposal directly to the Education Committee.

We believe that the IAA has a vital role to play in supporting the development of a robust actuarial profession around the globe. But the energy, diversity and vitality that will drive the advancement of the profession comes - as it always has – from the local member associations. We see the IAA as uniquely positioned to facilitate the continued development of the actuarial profession worldwide. It is not, and was never intended to be, a regulator. Instead, the IAA was established as a forum for cooperation among sovereign member associations that retain full control over their internal policies and governance. As the U.S. national association, we are fully committed to working with other FMAs through the IAA process for the mutual benefit of all our members. We believe the IAA is most effective when it plays the supportive role for which it was designed.

While the proposed syllabus has been described as an “update” of the current syllabus, we believe that the extent to which it has been expanded, modified and labeled as a mandatory minimum constitutes a significant fundamental change. It is universally acknowledged that every IAA FMA will have to make changes to “comply” with the newly proposed syllabus. Given this acknowledgment, it's necessary to understand the effect that change would have on the relationship between the IAA and its FMAs. We appreciate the efforts of the Education Committee to solicit additional input from FMAs, and the Committee's efforts to add some flexibility to the syllabus. But the principle of subsidiarity means much more than simple consultation before establishing a new requirement – it speaks to the fundamental nature of the relationship between the IAA and its members. This relationship is not one of regulator and regulated. The current proposal, as described by the Education Committee, would place the IAA in the role of regulator – even with the recent comment process.

The IAA has adopted an “Interpretation Document for the Principle of Subsidiarity.” It gives a three-pronged test to determine if an activity violates the principle of subsidiary:

- Is this something that requires international coordination or direction?
- Is this something that is handled more efficiently across national and regional boundaries?
- Is this a duplication or does it overlap with the activities of member associations?

Asking these questions of the revised syllabus as it has been presented and per the information from the Education Committee as to how it would be implemented can only yield answers of:

No, No, and Yes to these essential questions.

The IAA's current accreditation criteria do not require FMAs to closely adhere to a syllabus consisting of hundreds of specific individual learning objectives. Instead, the current criteria explicitly note that "components of the Education Syllabus may be given different weight by different actuarial associations, and subjects may be arranged and material from various topics within the Education Syllabus may be combined in an education system as appropriate." This section of the Internal Regulations (2.2.2) adds that an education system will be assessed on overall balance, and not on a narrow focus on each part of the Syllabus. So far, the rhetoric used to describe and promote the proposed Syllabus ignores this fundamental tenet of the Internal Regulations. As presented, it would effectively *amend* the Internal Regulations by asserting that "compliance is required" with whatever the Education Syllabus identifies.

Actuaries don't work in a vacuum. There's a context for everything we do. Each country has its own legal system, economic system and regulatory philosophy. Tax rules and accounting rules differ, as do local history and customs. Each country has its own unique social insurance systems. The educational needs of actuaries vary from country to country because the context for actuarial work differs. Determining the details of the education needed to appropriately equip actuaries to provide actuarial services in specific jurisdictions is best handled within national and regional boundaries.

A one-size-fits-all approach simply will not work, and the IAA is not equipped with the resources to tailor specific syllabi for each and every FMA. Despite the excellent work done by the Education Committee, no plan mandated by the IAA can realistically be expected to meet the future educational needs of each and every jurisdiction around the world. No one can, or should, expect that the needs of actuaries practicing in all the various jurisdictions where the IAA's 67 FMAs reside are the same, or will be the same ten years from now. And most importantly, requiring the homogenization of all IAA FMA education systems by imposing syllabus material that is not currently in any FMA's curriculum is not an authority that the FMAs have delegated to the IAA. It is simply not the role of the IAA to mandate that its members adopt a global "common currency" educational system.

It's also important to remember that the various local member associations of the IAA were formed, many well before the IAA was established, for the purpose of improving actuarial practice and professionalism within their own countries and regions. It is crucial for us to recognize that where actuarial practice lags behind the rest of the world, it is most likely due to resource limitations, rather than a lack of desire. The current proposal appears to suggest that the IAA doubts that some of its member FMAs share this commitment to excellence (perhaps all, since none now meet the requirements of the proposed Syllabus). In our view, there is no need and no authority for the IAA to police FMAs to prevent them from intentionally aiming too low. Rather, the IAA should continue to demonstrate its effectiveness and relevance to the international community of actuarial associations by providing FMAs with the tools they need to achieve their highest goals.

The Academy believes that it is important for all Council members to understand what a vote to adopt the proposed syllabus means. As it is currently framed and described by the Education Committee, a vote for this proposed syllabus is a vote for fundamentally changing the relationship between the IAA and its member FMAs. Subsidiarity means that FMAs do not surrender local control within their jurisdictions to the IAA. Subsidiarity is based on the premise that FMAs are in the best position to know how to most appropriately serve the interests of actuaries and the public in their own local

jurisdictions. While there are requirements for IAA membership, those requirements simply establish the foundation necessary for member associations to acknowledge each other as peers. They are not intended – and should never be allowed – to undermine the principle of local governance. We believe that the proposed syllabus goes far beyond the minimum necessary to ensure that FMAs are in fact professional actuarial associations. In our view, adopting this syllabus as a minimum requirement for IAA membership would effectively place the IAA in the role of a regulator of its FMAs. The Academy opposes taking this step.

The IAA has a vital role to play in the continued development of the actuarial profession worldwide. We also believe it is appropriate for the IAA to provide models that may be adapted and used in whole or in part by FMAs, as long as adoption of those models is not made a condition of membership.

We value our collaboration with the IAA, and welcome the opportunity to discuss these issues with you in more detail.

Sincerely,

A handwritten signature in black ink that reads "Tom Wildsmith". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Tom Wildsmith, President
American Academy of Actuaries

Cc: Malcolm Campbell, President, IAA