



Keeping Up Internationally – The IAA, Model International Standards, and the U.S. Actuary

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**Sponsored by the Academy's Council on Professionalism
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Presenters*

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*The statements and opinions expressed herein are solely those of the panelists and do not constitute official statements or positions of the Academy, ASPPA/ACOPA, CAS, CCA, SOA, or the ABCD, ASB or IAA.





Outline of Presentation

This presentation will discuss the following:

- The IAA Structure and Its role with respect to the U.S. Actuarial Profession
- Activities of the IAA Professionalism Committee
- Development of “international standards” and their relevance





The IAA Structure





IAA Structure

- Operates somewhat like the NAIC
- Operates under a guiding principle of subsidiarity
- Council is the governing body
- Council and committees meet twice a year in a 3 – 4 day series of meetings.
- Council is averse to acting unless there is a consensus
- Actions ripple up to Council through committees
- IAA is officially bilingual, supposedly quadrilingual, but virtually everything happens in English





IAA Structure

- Committees report to Council and may have sub committees, task forces and working groups
- All committees are not created equal
 - Executive and Nominating are very powerful
 - Professionalism, Accreditation and Education are quite powerful





IAA Structure (voting)

- Council has a weighted voting system
- 63 Full Member Associations (FMAs)
- FMAs have 1 – 8 votes depending on size
- 7 Sections each have 1 vote
- 150 votes in total
- Council votes electronically between face to face meetings.





IAA Structure (voting)

- US FMAs and numbers of votes
 - ❑ Academy 8
 - ❑ ACOPA 1
 - ❑ CAS 5
 - ❑ CCA 3
 - ❑ SOA 8
 - ❑ Total 25





IAA Structure (voting)

- Other Large FMAs
 - ❑ UK (IFA) 8
 - ❑ Canada 5
 - ❑ Germany 5
 - ❑ Australia 4
 - ❑ France 4
- 10 FMAs have 3 votes
- 21 FMAs have 2 votes
- 21 FMAs have 1 vote

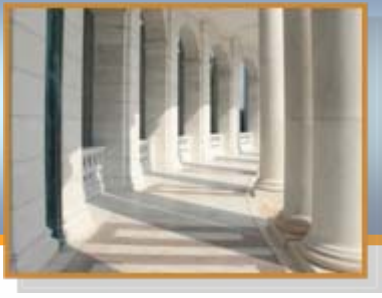




Important Committees to US Actuaries

- Executive
- Nominations
- Professionalism
- Interim Actuarial Standards Sub-Committee
- Accounting
- Accreditation
- Insurance Regulation





Executive Committee

- Eleven member committee charged with implementing policy
- Designed to be representative (geographic, size of FMA, language, gender, etc.)
- Meets monthly by conference call (and face to face at Council meetings)
- Seat of most of the real power

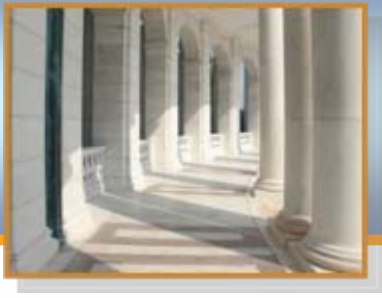




Nominations Committee

- Thirteen member committee charged with nominating
 - officers,
 - committee chairs and vice chairs
 - members of audit and finance, executive, and nominating committees
- Chaired by Past President
- Current President is Vice Chair





Professionalism Committee

- Purpose - to encourage appropriate standards of professional actuarial education and practice internationally





Interim Actuarial Standards Sub-Committee

- Sub- committee of executive committee
- Effectively the ASB of the IAA
- 11 members, most with standard setting experience
- IAA can promulgate only model standards
- A vocal minority want to see mandatory standards
- Eternal vigilance is the price of freedom





Accounting Committee

- Strong liaison to IASB
- Also liaises with IOSCO, G20





Accreditation Committee

- Gatekeeper for associations to join
- Takes its job very seriously
- Preserves the quality and stature of the IAA
- Assures that FMAs have compliant:
 - Codes of conduct
 - Educational systems and requirements
 - Standard setting process (if one exists)





Insurance Regulation Committee

- Strong liaison to IAIS





The IAA Role with respect to U.S. Actuaries





How does the IAA affect me?

- Seeks to influence powerful multinational bodies (G20, ILO, IOSCO, IAIS, IASB) which have a knock on effect in the US
- Seeks to be viewed as the actuarial voice internationally, and thus (indirectly) speak for you
- Is defining what actuarial education should be
- International practice across various countries could be impacted





Activities of the IAA Professionalism Committee





Professionalism Committee

- Key recent work areas:
 - Meaning of professionalism
 - How standards apply to cross border work
- Gatekeeper of due process for model standards and practice notes (International Actuarial Notes)
- Observes education requirements, qualifications to practice, and disciplinary procedures





Development of “International Standards” and their Relevance





International Standards

- ❑ Evolution of international standards
- ❑ Dangers lurking in the bushes
- ❑ What is an ISAP?
- ❑ Current activity
- ❑ What standards are lurking in the wings
- ❑ Where might we go from here
- ❑ Activities of US-based organizations
- ❑ What you should do





Evolution of International Standards

- ❑ Original four level structure (2005)
 - Level 4 – Practice Notes
 - Level 3 – Standards allowing for deviation (similar to ASOPs)
 - Level 2 – Mandatory
 - Level 1 Even more mandatory
 - 12 Level 4 “standards” (IASPs) issued
 - ❑ These have the Force of Practice Notes
 - ❑ One is on Social Security
 - ❑ Other 11 are on IFRS





Evolution of International Standards

- ❑ 2008 revision
 - Recognized IAA had no authority to issue binding standards
 - Introduced a two level structure
 - ❑ Model International Actuarial Standards of Practice
 - ❑ International Actuarial Notes (aka practice notes – no binding effect)
- ❑ No standards or Practice notes have been issued under 2008 rules. However:
 - New name – International Standard of Actuarial Practice (ISAP) has been adopted
 - Exposure draft of ISAP 1 – General Actuarial Practice published in July with a Dec 1, 2011 comment deadline
 - Process to convert old IASPs to IAN (which will clarify their authority) is well underway





Evolution of International Standards

- ❑ New Due Process for ISAPs (brought forward by Rowley task force) will likely be adopted early in 2012.
- ❑ New Due Process can be viewed at http://www.actuaries.org/COUNCIL/Documents/Nov2011_Ballot_Item4_Revised_Due_Process.pdf
- ❑ Basically streamlines the process
- ❑ There is yet another task force (chaired by Paul Thornton) working on the long term structure of an international standard setters
- ❑ It may set up a standards board including non actuaries





Dangers lurking in the bushes

- ❑ A faction of IAA wants globally converged international standards
- ❑ Extreme faction want work done in all jurisdictions to produce identical results
- ❑ Most people realize this is not possible, nor desirable
- ❑ Two actuaries working under the US ASOPs will not necessarily produce identical results
- ❑ The words “model”, “convergence” and “standard” have provoked voluminous (sometimes heated) discussion





What is an ISAP?

International Standards of Actuarial Practice are established to promote high quality actuarial practice globally.

- ❑ High quality actuarial practice:
 - Helps serve the public interest by benefiting users of actuarial work, regulators, and participants and beneficiaries of financial security programs; and
 - Benefits both actuarial associations and individual actuaries by enhancing the credibility of the actuarial profession.
- ❑ Characteristics of high quality actuarial practice include:
 - Consistency – providing users of the actuarial work product with confidence that practice is consistent over time and across clients subject to similar requirements;
 - Usefulness – adding substantial value to financial analysis; and,
 - Clarity – clearly articulated and understandable.





Current Activity

- ❑ ISAP 1 (General Actuarial Practice) has just completed its exposure period
 - 27 comments were received
- ❑ Statements of Intent (SOIs) have been approved for:
 - Social Security Valuation
 - Insurance Accounting under IFRS 4
 - Pension Accounting under IAS 19
- ❑ A task force is drafting an ERM SOI





Current Activity

- ❑ ISAP 1 covers general areas such as:
 - Communication (similar to ASOP 41)
 - Data Quality (similar to ASOP 23)
 - Undertaking assignments
- ❑ The ASB has no plans to adopt or endorse ISAP1.
- ❑ The ASB analysis (link at <http://www.actuarialstandardsboard.org>) is well worth reading





What Standards are in the wings

- ❑ Accounting under IFRS will split into up to three ISAPs
 - Accounting under IFRS
 - Insurance Accounting under IFRS 4 et al
 - Pension Accounting under IAS 19
- ❑ Either or both of the last two may be only IANs. If they are ISAPs, they will almost certainly be accompanied by IANs
- ❑ An exposure draft for an ERM ISAP will likely follow the US exposure draft by about a year





Where might we go from here

- ❑ ISAPs will remain model standards
- ❑ Standard-setters may adopt or choose not to
- ❑ FMAs will be requested to report on congruence
- ❑ This situation is acceptable to US-Based Organizations





Activities of US-based orgs

- ❑ CUSP (five Ps and five PEs) have set up a liaison group to monitor activity
- ❑ Academy hosts conference calls before each Council meeting to share views
- ❑ Council delegates are vocal when necessary
- ❑ ASB has agreed to review and comment on all ISAP exposure drafts
- ❑ U.S. has strong representation on IASSC and its task forces





What you should do

- ❑ Read the Exposure Draft of ISAP 1 if you have not already
- ❑ Read the comments on the IAA website
 - www.actuaries.org.
 - Publications
 - Standards and Practice Notes
 - Exposure Drafts
- ❑ Pay attention to Academy e-mail blasts about IAA





Questions?

