December 18, 2015

Dear Members of the IAA Executive Committee:

I’m writing to provide some additional context for the Academy’s recent letter to the Education Committee concerning the proposed IAA Education Syllabus. As the U.S. national association, we understand that no nation stands alone in today’s world, and U.S. actuaries are affected by developments in other countries. This is reflected in our long-standing, active involvement in the IAA. We believe that the IAA has a vital role to play in supporting the development of a robust actuarial profession around the globe. The purpose of this letter is to discuss our understanding of that role, and our vision for the IAA.

Our understanding of the IAA might best be described as a “United Nations” model. In other words, the IAA is a forum for cooperation among sovereign member associations that retain full control over their internal policies and governance. Full Member Associations (FMAs) do not surrender local control within their jurisdictions to the IAA. While there are requirements for membership, those requirements simply establish the foundation necessary for mutual recognition and cooperation. They are not intended – and should never be allowed – to undermine the principle of local governance.

I would contrast this with a “European Union” model where significant local authority is surrendered in the interests of integration. In the case of the European Union, geographical proximity and the shared political and economic interests of the nations involved made integration both practical and desirable. There is a natural limit, however, on the scope of such political and economic integration. No one expects the European Union to expand globally to include, for instance, South Africa, Japan, Brazil, Kenya, Lebanon, India and China. The legal, political and economic systems are simply too diverse. Might there come a day when all the nations of the world achieve the same level of political and economic integration as the current European Union? Perhaps – but that’s a question for future generations.

The United Nations is successful as a truly global organization because it is not based on the integration and surrender of local authority required by the European Union. We believe that the IAA can only build on its success as a global organization if it continues to operate as a United Nations for the actuarial profession. The global diversity of the actuarial profession reflects the underlying diversity of legal, regulatory, economic and educational systems among the nations in which actuaries practice.

Applying these principles to the proposed education syllabus, we believe it is neither desirable nor the role of the IAA to develop a global “common currency” educational system. The current educational guidelines provide the foundation necessary to ensure that FMAs are in fact professional actuarial associations, and not merely trade associations, fraternal clubs or other social organizations. This is necessary for mutual recognition and cooperation through the IAA. Anything beyond that should not be a requirement for IAA membership. 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.
These same principles are relevant to a number of other issues. For instance, the United Nations model explains why International Standards of Actuarial Practice (ISAPs) are developed as models. I would also note that it is the United Nations model for the IAA that gives the principle of subsidiarity its rationale and meaning.

The IAA has a vital role to play in the continued development of the actuarial profession worldwide. We believe that understanding that role as an actuarial “United Nations” – rather than an actuarial “European Union” – elevates it to a global significance that it could not otherwise have.

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

Sincerely,

Tom Wildsmith, President
American Academy of Actuaries

Cc: Fred Rowley, President, IAA