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Dear Members of the IAA Executive Committee:

We appreciate the efforts of the Syllabus Governance Task Force (the Task Force) and the recent member survey on this subject. As the report of the Task Force made clear, the questions that have been raised concerning the potential use of the new syllabus go to the heart of the International Actuarial Association's (IAA) purpose and governance. Because of the importance of these issues, we are writing this letter on behalf of the American Academy of Actuaries (the Academy) to supplement our responses to the member survey. It is intended to clarify our views about the most appropriate role for the new syllabus in the governance of the IAA and its likely impact on Full Member Associations (FMAs).

We would like to begin by highlighting some areas where we believe there is widespread agreement among FMAs. First, the new syllabus is a significant and valuable technical achievement and represents an advance over current best practices in actuarial education. Second, as actuarial science and related fields advance, it is important that the new tools and techniques that are developed be incorporated into basic actuarial education. Third, the IAA has an important role to play in supporting and assisting FMAs in developing and improving their educational programs. This includes sharing best practices in both the topics covered and the ways in which education is delivered. Fourth, membership in the IAA should be limited to bona fide professional actuarial organizations dedicated to advancing the profession in their respective jurisdictions. (Trade associations, fraternal clubs, or other business or social organizations – while valuable in certain settings – have no role as IAA members.)

Basic actuarial education is a vital concern for all FMAs, including especially national associations such as the Academy. Even though we routinely rely on global education providers, we have the direct responsibility for establishing the qualification standards for actuaries practicing in the United States. This has practical consequences. For instance, a number of years ago the SOA took most nation-specific material off of their syllabus. The result was that actuaries completing their SOA examinations during that period did not have all of the basic education needed to be fully qualified to practice in the U.S. In response, the Academy created

educational opportunities to fill that gap and allow U.S. actuaries to become fully qualified. This included designing the curriculum, recruiting course faculty, and testing participants. (The SOA has since restored the nation-specific material to their syllabus, so that it now fully meets the basic education requirements of the U.S. Qualification Standards.)

Our point is that national associations such as the Academy have a direct interest and responsibility in basic actuarial education. Global educators – those associations offering examinations in multiple countries – and national associations have different roles. Each global educator decides the extent to which it will adapt its examination program to the needs of a specific country. The national association determines whether any particular education program meets the requirements to practice in that country, or whether supplemental education is needed.

Importance of Inclusivity

The IAA has historically been an inclusive organization, welcoming not just large sophisticated associations from jurisdictions where the profession is well-established and mature, but small associations from jurisdictions where the profession is young and developing. We believe that the IAA must continue to be inclusive and welcoming if it is to be successful in fostering the growth and development of the actuarial profession around the globe. Raising barriers to membership will only serve to hamper progress. We believe that the historical approach of bringing developing associations into the fold of the IAA and providing them with the support and assistance they need to raise the level of actuarial practice within their local jurisdictions is a much more effective strategy.

We fully support the need for meaningful membership criteria. However, we believe the purpose of the membership standards is to ensure that FMAs are truly professional actuarial associations, and not trade associations, fraternal organizations, or social clubs. Their essential purpose is identification – not regulation. In other words, the key test for IAA membership shouldn't be whether an applicant is a *good enough* professional actuarial association – but rather whether it *really is* a professional actuarial association. The IAA should continue to welcome all professional actuarial associations that avow their desire to improve actuarial practice in their respective jurisdictions. Of course, if future facts indicate that this is not the actual goal of an association – that they are something other than a true professional association – then they can and should be removed from IAA membership. When questions arise regarding membership, the IAA Council should be influenced more by the concept of inclusivity and not exclusivity.

Importance of Subsidiarity

We continue to believe that the principle of subsidiarity is not merely a technical nicety, but a necessary constitutional principle for the IAA to be successful as an inclusive global organization. The profession is too diverse – the world is too diverse – for the IAA to succeed as a “European Union” 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.

Recognizing this diversity, and that membership in the IAA is entirely voluntary for FMAs, the principle of subsidiary holds that the IAA must neither compete with its member associations nor interfere with their governance. This principle is a bulwark of the IAA's purpose and mission. 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 identifying the hallmarks of a bona fide professional actuarial association. They are not intended – and should never be allowed – to undermine the principle of local governance.

Quality in Actuarial Education

The basic education provided by the IAA's members is *professional* education – it supports the credentialing by FMAs of actuaries who will be providing actuarial services to the public. Actuarial practice is jurisdiction-specific. It varies around the world to reflect local laws, regulations, business practices, and markets. This is not a weakness, but rather a strength. The goal of any FMA's educational program is to prepare its members to serve the needs of the public – and that can only be evaluated with reference to the specific legal, regulatory, and economic environment in which they will be working.

This means that the “quality” of actuarial education is most meaningfully measured relative to the context of local needs. Specifically, how well does it prepare an actuary to serve the public in the local jurisdiction in which he or she will actually be practicing? Two FMAs may have significantly different syllabi – reflecting fundamental differences in their legal and regulatory systems – each of which is entirely appropriate. The legal and regulatory differences may simply be too great for a single syllabus to meet the needs of actuaries practicing in both jurisdictions. Attempting to capture these nuances for all FMAs in a single syllabus is simply not realistic. This is why local flexibility is essential, and why we also believe that multiple model syllabi may be useful.

We firmly believe that the IAA has a vital role to play in providing its FMAs with tools, advice, support, and assistance in strengthening and developing their education programs. But it's a mistake to assume that a local orientation – and local governance – is inconsistent with educational excellence.

Need for Greater Clarity

The discussion around the new syllabus has suffered from a lack of clarity. On a simple level, it still isn't clear to us whether the focus of this single uniform syllabus is intended to be at the “Associate” level or the “Fellowship” level. Targeting this at the Associate level would allow for specialization at the Fellowship level, which would help. But we question whether providing essentially uniform training of all actuaries to this level, and only then specializing, still makes sense in today's world. We believe the university model – with a limited number of core general education requirements and then a specific set of electives based on your major field of study – would better support the future needs of the profession.

More fundamentally, we do not believe that there is a clear consensus on the degree of standardization that is being sought, or on the purpose of that standardization. Much of the discussion of the new syllabus seems to presuppose a need to standardize what it means to be an actuary around the globe. Far greater emphasis has been given to uniformity than to ensuring that actuaries are prepared to practice in a specific specialty area or jurisdiction. The term “generalist” has been used without defining whether it refers to an actuary qualified to practice in multiple specialty areas, an actuary qualified to practice in multiple countries, or simply an actuary educated in a core set of traditional actuarial topics. The Academy believes that more consideration must be given to the concept of a generalist actuary before it is made the basis of actuarial education around the world.

If the goal is to educate actuaries to work in multiple practice areas, we must recognize that in some jurisdictions the profession is far too specialized for it to be practical for actuaries to practice as “generalists.” For example, in the United States, it is very rare for an actuary to be qualified to practice in more than one major practice area (i.e., life, health, pensions, or general insurance). We are unaware of any actuaries who are fully qualified in the U.S. to practice in all of these areas, as the term “generalist” would imply. The jurisdictions where the profession is most specialized also tend to be those with the greatest number of working actuaries.

Going further, we believe the concept of a global generalist actuary is too far removed from the actual practice of most actuaries today to provide useful near-term guidance for actuarial education. It is rare enough for an actuary to practice globally, specializing in a single field such as health, in multiple disparate jurisdictions. As a thought experiment, how many actuaries are there who are fully qualified to practice in three different practice areas (e.g., life, health, and pensions), and in jurisdictions on three continents (e.g., France, Canada, and China)? There may be some individual actuaries who are qualified to do this. We do not believe there are enough to make this the foundation or goal of actuarial education.

Moving the Profession Forward

We all recognize the need for actuarial education to evolve over time to incorporate advances in mathematics, data sciences, economics and other fields relevant to actuarial practice. This evolution is already happening, and has been going on for a very long time. The exams we took were very different from the exams administered today – and tomorrow’s exams will be different from today’s exams. In shaping the education of the future, however, we need to consider more than technical advancements in the actuarial science. We need to also consider the shape of the profession, the environments in which actuaries practice, and the future evolution of the profession.

Generalist actuaries have no significant role in the profession in the United States. Our experience suggests that as the profession grows and matures in other jurisdictions, it will inevitably become more specialized. This pattern is not unique to actuaries. The medical profession, the sciences, and the legal profession have all become highly specialized.

Educating the next generation of actuaries as generalists – rather than recognizing the inevitable trend towards increased specialization – will lead the profession into the past rather than the future.

Need for High-Quality Model Syllabi

We fully support the development of model syllabi that FMAs may adapt and implement as appropriate for their jurisdictions, just as we fully support the development of model ISAPs. However, just as with ISAPs, it must be recognized that a model syllabus is not binding on any individual actuary unless and until it is adopted by an FMA having jurisdiction over that actuary. This in no way lessens the importance of having good models.

The new syllabus represents an excellent model, including a comprehensive array of actuarial topics that can be used as a basis from which FMAs can develop their own individual syllabi. The Academy believes that, given the diversity and specialization of the profession, the development of additional model syllabi – such as a model syllabus for General Insurance – may well be appropriate.

Concluding Thoughts

Ensuring FMAs have the flexibility to provide actuarial education that meets local needs is essential. No one has questioned the desire and commitment of the IAA’s members to improve professional actuarial practice in their jurisdictions. The IAA’s historical policy of inclusivity has been remarkably effective over the years. Given this, we see a profound danger to the IAA in any attempt to establish a performance benchmark for FMAs.

It is not the IAA’s role to grade FMAs – to determine that one FMA is better than another. Any “performance benchmark” will inevitably be interpreted to mean that some FMAs’ credentials are more legitimate than others. This is inherently divisive, and completely antithetical to the inclusiveness that the IAA has spent decades fostering.

We value our collaboration with the IAA, and would appreciate the opportunity to discuss these issues at the next Council meeting.

Sincerely,



Robert Beuerlein, President



Thomas F. Wildsmith IV, Immediate Past President