

The International Actuarial Association and the Importance of Standards and Professionalism

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The International Actuarial Association

- * Originally formed in 1895, reconstituted in 1998, and restructured in 2010
- * The IAA has 63 Full Member Associations and 26 Associate Member Associations, representing over 60,000 actuaries in nearly 100 countries
- * Extending accessibility to high quality actuarial services worldwide

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 and common principles of professional conduct. Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations, and the global convergence of actuarial standards.

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

IAA Sections

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

Model International Actuarial Standards of Practice

- Established an Interim Actuarial Standards SubCommittee
- Current draft developed by Generic Task Force – (ISAP 1) General Actuarial Practice
- Foundational standard
- Additional Task Forces on ERM, IAS 19, IFRS 4 and Social Security

Model International Actuarial Standards of Practice

- New Task Force established in May – Task Force on a Permanent Structure for International Standards
- Due Process Task Force – working on a revised due process for considering Statements of Intent for developing ISAPs

Importance of Standards

SO WHY STANDARDS?

Importance of Standards

- * Actuarial Standards of Practice identify
 - * considerations
 - * documentation
 - * disclosures when performing an actuarial assignment
- * The goal is to set standards for
 - * appropriate practice
 - * in the jurisdiction

Importance of Standards

Developing a Standard of practice involves:

- * reviewing and evaluating current/emerging practices
- * determining appropriate guidance
- * publishing an exposure draft
- * considering all comments
- * publishing a final standard or another exposure draft

Importance of Standards

- * SOPs assure public actuaries are professionally accountable
- * SOPs provide practicing actuaries with a basis for conforming to appropriate practices

Importance of Standards

Standards protect the public by:

- * Indicating appropriate procedures, techniques, and approaches
- * Providing a means by which practice can be reviewed and remain current
- * Furnishing criteria for evaluating actuarial work products
- * Providing a basis for discipline in those instances in which standards are not adhered to

Importance of Standards

For individual actuaries, standards provide major benefits also, by:

- * Providing guidance
- * Giving strong evidence the profession serves the public
- * Offering evidence of appropriate professional performance, which constitutes a defense in any civil or professional disciplinary action

Importance of Standards

- * Standards serve to assure regulatory authorities that they can depend on the actuarial profession to act effectively in the public interest
- * Written standards of practice, along with a discipline process, show how a profession governs itself

Importance of Standards

What Standards of Actuarial Practice aren't:

- * A cookbook – professional judgment is required
- * May be a bit slow to cover new, developing areas of practice – before a standard can be written the topic must reach a certain degree of maturity
- * Best practice – best practice is in the eye of the beholder - It is the absolute high bar for a particular approach and in many cases can not be agreed upon

Criteria for Full Membership in IAA

2.1.6 If the association adopts standards of practice it must have in place a formal process for adoption which meets the following criteria. If a standards of practice process does not exist, but is subsequently implemented, it must meet the criteria when adopted.

The criteria for an acceptable process for adoption of standards of practice are:

- * a. The proposal to consider a possible standard follows an established process.
- * b. The proposed standard is exposed to members, and where relevant, to third parties for comment.

Criteria for Full Membership in IAA

- * c. Comments on the exposure draft are considered.
- * d. The standards are promulgated by an authority vested with such powers.
- * e. The standards are published and dispatched to member practitioners.

2.1.5 The association must have a formal discipline process in place.

Education Syllabus and Professionalism

- Establish, maintain and promote common standards of actuarial education and common principles of professional conduct
 - Establishment of Education Syllabus Guidelines
 - One of the first major work products of an IAA Committee
 - All Full Member Associations must have education requirements that meet the guidelines
- IAA Member Associations are recommended to create and implement a CPD strategy under which their members are encouraged or required to proactively address CPD needs

Mandate to Professionalism Committee

- * The IAA Council requested the Professionalism Committee to address the strategic action required to “Achieve a common understanding of the principles of professionalism, including codes of conduct and disciplinary procedures.”

Key Conclusions

- A common understanding of the principles of professionalism (the “Principles”) is possible
- Professionalism covers the actuary’s technical competence and skills, ethical behavior and professional oversight
- Aspects of professionalism should be introduced throughout the training and development of an actuary

Definition of Professionalism

- Professionalism means:
 - The application of specialist actuarial knowledge and expertise
 - The demonstration of ethical behavior, especially in doing actuarial work
 - The actuary's accountability to a professional actuarial association or similar professional oversight organization

The Principles of Professionalism

- Knowledge & expertise
- Values & behavior
- Professional accountability

Principle A

- Knowledge & expertise:
 - *“An actuary shall perform professional services only if competent and appropriately experienced to do so.”*

Prinicple B

- Values & behavior:
 - *“An actuary shall act honestly, with integrity and competence, and in a manner that fulfills the profession’s responsibility to the public and upholds the reputation of the actuarial profession.”*

Principle C

- Professional accountability:
 - *“An actuary shall be accountable to a professional actuarial association or similar professional oversight organization.”*

Professionalism Report to IAA Council

- * Each of these three high-level principles are further supported by several elements which are discussed in the report.**
- * While the principles and supporting elements were widely supported, the development of the principles stimulated some interesting issues for discussion.**
- * The outcome of these discussions are captured in the reports.**

The IAA

**I strongly encourage you to read the report
which is available on the IAA website**

THANK YOU

- * *The International Actuarial Association provides a vital vehicle for coordinating worldwide engagement*
- * www.actuaries.org
- * oakoffice1@cox.net