

# International Actuarial Association (IAA)

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*Moving the profession forward internationally*



# International Actuarial Standards

- History of standards development
- Current situation
- What does the future hold?
- Why should we care?

# History

# History of Standards Development

- Professional standards
- National standards
- Supranational standards
- IAA progress

# Hippocratic Oath (~420 BC)

- I will prescribe regimens for the good of my patients according to my ability and my judgment, and never do harm to anyone.
- I will not cut for stone, even for patients in whom the disease is manifest; I will leave this operation to be performed by practitioners, specialists in this art.
- In every house where I come I will enter only for the good of my patients, keeping myself far from all intentional ill-doing and all seduction and especially from the pleasures of love with women or men, be they free or slaves.
- All that may come to my knowledge in the exercise of my profession or in daily commerce with men, which ought not to be spread abroad, I will keep secret and will never reveal.

# Partial National History

Country	Code of Conduct	Actuarial Standards	Topic
Australia	1976	1982	Financial condition examinations of insurance companies
Canada	1968	1979	
Ireland	1993	1994	DB pension reports
Mexico		2001	
UK		1975	Long term insurance business
US	1956	1986	Managing Universal Life insurance policies

# Supranational Standards

- IAA started developing “International Actuarial Standards of Practice” (IASPs) in 2000
- GC started developing European Solvency II standards in 2011

# IAA 2000

- 4 levels of model standards:
  1. Mandatory on all actuaries (required adoption by all Member Associations)
  2. Mandatory on any actuary asserting compliance
  3. Advisory (either comply, or state rationale and implication of non compliance)
  4. Educational – not binding in any way.
- Only level 4 IASPs (educational) were adopted (12 altogether)

# IAA 2008 Version

- IAA recognized in 2007 that it could not realistically expect all members to adopt binding standards.
- Revised IASPs (2008)
  - Levels 1 and 2 abandoned
  - Level 3 renamed International Actuarial Standards of Practice (IASPs). Still model standards.
  - Level 4 renamed International Actuarial Notes (IANs)

# IAA 2010

- Appointed new committee to propose standards
- Actuarial Standards Committee (IASSC for first two years)
- Model standards renamed International Standards of Actuarial Practice (ISAPs) for clarity

# Current Situation

# Vision for ISAPs

- ISAPs will be widely seen as contributing to the public good, by enhancing user's confidence in actuarial work.
- ISAPs will be widely accepted as a basis for convergence by local standard-setters.
- ISAPs will be recognized by the parties who rely on actuarial standards such as IAIS, IOSCO, IASB, national regulators, and audit firms.

# Purpose of ISAPs

- The purpose of ISAPs is to promote high quality actuarial practice. High quality actuarial practice:
  - Helps serve the public interest by benefiting users of actuarial work, regulators, and participants and beneficiaries of financial products and services, including social security programs; and
  - Benefits actuarial associations and individual actuaries by enhancing the credibility of the actuarial profession.

# Characteristics of high quality actuarial practice include

- Professionalism – providing work that is rigorous, objective, soundly-based, and reflective of current thinking and practices;
- Consistency – providing users of the actuarial work product with confidence that practice is consistent across clients subject to similar requirements;
- Usefulness – adding substantial value to financial and risk analysis; and
- Clarity – clearly articulated and understandable

# IAA Membership Requirements

- To become, or remain, a Full Member of the IAA an actuarial organization must have:
  - A code of professional conduct (Handout 1)
  - A system for disciplining actuaries (Handout 2)
  - An educational requirement that meets the IAA Educational Guidelines and Structure (Handout 3)
  - If it has actuarial standards, it must have a valid method for adopting them (Handout 4)

# History and Status of ISAPs

- ISAP 1 – General
- ISAP 2 – Social Security
- ERM
- ISAP 3 – IAS 19 (employee benefits)
- ISAP 4 – IFRS (insurance)

# ISAP 1 General Practice

- Statement of intent Oct 2010
- Exposure Draft Jul 2011
- Adoption Nov 2012

# ISAP 2 Social Security

- Statement of intent Oct 2011
- Exposure Draft Oct 2012
- Adoption Oct 2013

# ERM ISAP

- Draft statement of intent Mar 2012
- Proposal for ISAP withdrawn Nov 2012
- Proposal reactivated Oct 2013
- Statement of intent [Apr 2015]
- Exposure Draft [Jul 2015]
- Adoption [Sep 2016]

# ISAP 3 (IAS 19)

- Statement of intent Mar 2013
- Exposure Draft [Oct 2013]
- Adoption [Apr 2015]

# ISAP 4 Insurance IFRS

- Statement of intent [Mar 2015]
- Exposure Draft [Aug 2015]
- Adoption [May 2017]

# Expected Implementation of ISAPs

- Implementation will differ between
  - Organizations with established standards
  - Organizations without standards processes

# Future

# What does the future hold?

- Likely
- Possible
- Unlikely

# What is Likely

- A set of ISAPs (model standards) covering most actuarial work
- Adoption (with minimal modification) of ISAPs by some members associations (e.g. Catalonia, Caribbean, South Africa)
- Adoption of ISAP 1 by Groupe Consultatif

# Possible

- Adoption by one or more larger FMAs
  - Canada is quite likely
  - France, Germany, and Japan are possibilities

# Unlikely

- Global actuarial standard setter
- Oversight entity including non actuaries

**Why does it  
matter?**

# Advantages of Convergence

- G20 is demanding common standards of all professions
- If we do not make reasonable progress ourselves, someone else may impose common standards on us
- Convergence facilitates:
  - Cross Border work
  - Cross Border migration
  - Sharing ideas and best practices

# Improbability of Uniform Standards

- Legal systems are country specific
- Liability of actuaries is country specific
- Expectations of consumers varies by country

# Realistic objective

- Countries will move towards standards that are “are substantially consistent with each ISAP.”

# What next

