



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

October 7, 2008

Ms. Emily Brown
Financial Reporting Council
5th Floor Aldwych House
71-91 Aldwych
London WC2B 4HN
United Kingdom
(Email: actuarialquality@frc.org.uk)

Dear Madam

Re: IAA comments on FRC Discussion Paper on Promoting Actuarial Quality

In response to the request for comments on the May 2008 Discussion Paper on Promoting Actuarial Quality, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments.

These comments have been prepared by the Professionalism Committee of the IAA.

If, upon reading these comments, you identify any points that you would wish to pursue, please do not hesitate to contact the chairperson of the committee, Michael Pomery, or any of the other members of the committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on the
DISCUSSION PAPER ON PROMOTING ACTUARIAL QUALITY
ISSUED BY THE FINANCIAL REPORTING COUNCIL: MAY 2008**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty Full Member actuarial associations represent more than 95% of all actuaries practicing around the world and are listed in an Appendix to these comments. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

Introduction

The IAA was originally established in 1895 as an association of individual actuaries. In 1998, the IAA went through major restructuring and created a single, stronger unified framework to ensure unity of direction and efficient coordination with respect to actuarial issues of a world-wide nature to meet the growing needs of the actuarial profession as it expands in a global economy. The IAA became an association of national actuarial associations and is the unique international organization dedicated to the research, education and development of the profession and of actuarial associations.

The objectives of the IAA that are stipulated in its statutes are as follows:

- develop the role and enhance the reputation and recognition of the actuarial profession and individual actuaries throughout the world;
- promote high standards of professionalism among actuarial associations and among actuaries throughout the world to ensure that the public interest is served;
- advance the body of knowledge of actuarial science and its applications;
- further the personal professional development of actuaries throughout the world;
- promote mutual esteem and respect amongst actuaries;
- provide a forum for discussion among actuaries and actuarial associations throughout the world; and
- represent Member Associations in discussions with international bodies.

Requirements for the membership of the IAA include having an ethical code, together with a fair discipline process, as well as having a process for the adoption of standards of practice. The IAA also sets minimum educational requirements to be applied by member associations. However, the implementation and the maintenance of various frameworks to promote the quality of actuarial work basically lie within the responsibilities of member associations. In this respect, the activities and the roles of member associations of the IAA, which has now expanded to 60 Full Member associations and brings together the actuaries in their respective countries, is one of the most important matters for the IAA. The IAA welcomes the recognition by the FRC of the importance of this subject.

General Comments

The discussion paper is a balanced and sound survey of the issues that are relevant to the subject and we welcome the opportunity to comment.

Please note that the statement on page 76 that it is “a condition of membership of the IAA that member associations must require their members operating in another territory to join the local association” is incorrect. Member associations are requested to encourage this course of action but it is not mandatory.

Specific Comments on the Consultation Questions

Nature and scope of actuarial practice:

Q2 (i) Do you agree that the use and interpretation of mathematical models to describe financial systems, portfolios and entities is an underlying feature of actuarial work?

Actuaries are called upon to analyze and quantify a wide range of contingent and financial risks. Actuaries apply their mathematical expertise, statistical knowledge and other relevant capabilities to fulfill their responsibilities. In doing so, they use and interpret diverse actuarial models. We agree that the use and interpretation of mathematical models is one of the important features of actuarial work.

Q2 (ii) What other features describe and distinguish the nature and scope of actuarial practice?

Many actuaries are multi-skilled strategic thinkers, trained in the theory and application of mathematics, statistics, economics, probability and finance. The unique combination of analytical and business skills with relevant knowledge is an important feature of actuarial practice and makes it possible for actuaries to address a variety of financial and social challenges worldwide.

Another important feature of actuarial practice, which is closely related to the above, is the ability to adapt to changing times and new business environments. Actuarial practice is not static and this is the reason why actuaries have continued to contribute to the overall financial stability of insurance and pensions business, which are mentioned as the main areas of actuarial practice in this discussion paper, for a long time. In addition, there is a growing need for the actuaries to engage actively in the field of enterprise risk management and other new areas (wider fields), where actuaries can be expected to make a significant contribution.

Drivers of actuarial practice:

Q4 (i) Have we identified the key drivers of actuarial quality? How can they be added to, re-defined or re-structured?

Q4 (ii) Do other drivers apply in sectors apart from life insurance, general insurance and pensions?

The drivers mentioned in the discussion paper are definitely important for defining actuarial quality. In particular, “ethics and professionalism of actuaries” is the primary driver that lays the foundation for the other drivers. The IAA continues to strive to enhance the awareness of the importance of the issue among its member associations.

In terms of the driver, “reliability and usefulness of actuarial methods”, the IAA is actively developing International Actuarial Standards of Practice, (IASPs) currently at the level of educational guidelines, for relevant International Financial Reporting Standards (IFRSs) that the International Accounting Standards Board (IASB) promulgates. The IAA also maintains close contact with other international bodies, the International Association of Insurance Supervisors (IAIS) and the International Social Security Association (ISSA), both of which are Institutional Members of the IAA.

As these activities of the IAA indicate, “globalization of actuarial practice” might be another driver of actuarial quality. The globalization of actuarial practice poses issues on many aspects of actuarial practice which have not been considered to date. One such issue is increased cross border actuarial activity, which could potentially have a great impact, not only on the quality of actuarial practice in each jurisdiction but also on the reputation of the actuarial profession worldwide. The IAA has been deliberating these issues and welcomes discussions with interested parties.

In each sector:

Q5 (v) Are there further steps that the FRC could take to promote actuarial quality?

In paragraph 5.27, there is a sentence, “Other risks such as medical expenses and the cost of long-term care are very difficult to predict, and actuarial concerns were frequently behind attempts by insurers to limit their exposure through contractual limitations and premium review clauses.”

This is an example of an issue involving the public interest. Although an individual actuary would need to take any necessary actions in accordance with the appropriate regulations, code of conduct, etc., we consider that the primary responsibility rests with the management of the insurers in this case. We believe it should be a prerequisite to have a well defined legal or regulatory framework before requiring actuaries to whistle-blow on issues of public interest. Moreover, it should be recognised that “actuarial concerns” may well incorporate legitimate risk management functions.

Members of the IAA Professionalism Committee

Michael Pomery	Chairperson
Frederick Rowley	Co-Vice-Chairperson
Masaaki Yoshimura	Co-Vice-Chairperson
Peter Akers	Institute of Actuaries of India
Gintaras Bakštys	Lietuvos aktuariju draugija
Avi Bar-Or	Israel Association of Actuaries
Andris Barlots	Latvijas Aktuāru Asociācija
Luciana Bastos	Instituto Brasileiro de Atuária (IBA)
Timothy Beardsall	Singapore Actuarial Society
Thomas Behar	Institut des Actuaire
Petr Bohumský	Ceská Společnost Aktuárů
Amy S Bouska	Casualty Actuarial Society
Andrew Chamberlain	Institute of Actuaries
Morris W. Chambers	Canadian Institute of Actuaries
Sergio Desantis	Istituto Italiano degli Attuari
Peter Doyle	Actuarial Society of South Africa
Alf Guldberg	Svenska Aktuarietföreningen
Morten Harbitz	Den Norske Aktuarforening
Norbert Heinen	Deutsche Aktuarvereinigung e.V. (DAV)
Curtis E. Huntington	American Society of Pension Professionals & Actuaries and New Zealand Society of Actuaries
Jelica Klucovska	Slovenska Spoločnosť Aktuárov
Dragutin Kocovic	Udruženje Aktuara Srbije
Tarmo Koll	Eesti Aktuaaride Liit
Armand Kplé	Institut des Actuaire de Côte d'Ivoire
Gordana Letica	Hrvatsko Aktuarsko Društvo
Jose Luis Lobera	Colegio Nacional de Actuarios A.C.
Yvonne Lynch	Society of Actuaries in Ireland
Hillevi Mannonen	Suomen Aktuaariyhdistys
David Martin	Faculty of Actuaries
Gottfried Rey	Association Suisse des Actuaire
Walter S. Rugland	Society of Actuaries
Roland van den Brink	Het Actuarieel Genootschap
Lucia Chona Ventura	Actuarial Society of the Philippines
Lance J Weiss	Conference of Consulting Actuaries

Full Member Associations of the IAA

Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires
(Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Društvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuaire (France)
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Íslenskra Tryggingastærðfræðinga (Iceland)
Institute of Actuaries of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
Latvijas Aktuaru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Lietuvos Aktuariju Draugija (Lithuania)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Association Marocaine des Actuaire (Morocco)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuaruszy (Poland)

Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Udruženje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)