

27TH.INTERNATIONAL.CONGRESS.OF.ACTUARIES

Un nuevo milenio, un nuevo reto actuarial

A new millenium, a new challenge for actuaries

Un nouveau millénaire, un nouveau défi pour les actuaire

W I D E R F I E L D S

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International.Actuarial.Association



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Agenda

- ❑ The Future, a Global Challenge
- ❑ The profession of Actuary, a vision
- ❑ Achieving a more global future
- ❑ What is a wider field?
- ❑ IAA and member associations initiatives
- ❑ Leveraging research and the academia
- ❑ A strategic positioning



The accelerating pace of globalization

- Improvements in technology
- Revolution in communications
- Globalization of financial markets
- Convergence of financial services
- More demanding standards
- Explosion of e-Commerce

...concur to erase national boundaries even faster than trade liberalization agreements are negotiated



Global = multidimensional

- ❑ Global refers not only to a geographic dimension but to all aspects of human activities
- ❑ Universality comprises the multiple dimensions of a diverse global world
- ❑ Universality means adaptability to different
 - ❑ cultures and educational patterns
 - ❑ Legal and political systems
 - ❑ Religious and socio-economic environment
 - ❑ development pattern / wealth level
- ❑ Requires better links with other disciplines, the academic community, international institutions, think tanks and research



IAA Vision statement

(inherited from the IAA)

To encourage the development of a global profession, acknowledged as technically competent and professionally reliable, which will ensure that the public interest is served.

The scope of the profession should encompass all areas for which actuaries are equally or better qualified than other professionals



Actuaries as Risk Managers

- Actuaries traditionally seen as *professional managers of the financial consequences of uncertainty*
- Responded to the changing environment to become the leading professionals in the broader area of the assessment and management of financial risks
- Offer a unique combination of mathematical, statistical, demographic, economic, financial, analytical and modeling skills to creatively identify and analyze options, support planning and decision making
- Their specific contribution to results based management rests on their capacity to integrate the input of other professionals into complex but



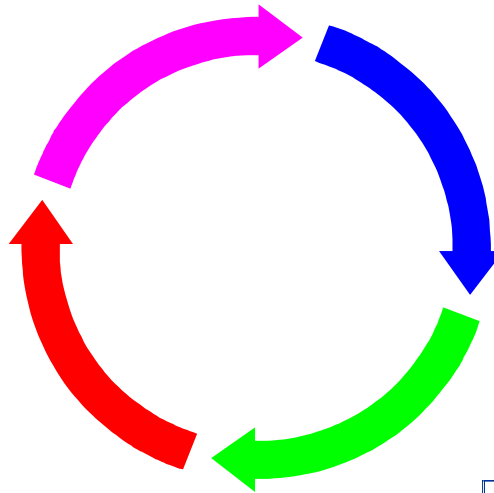
The Actuarial Control Cycle

Actuarial
Risk analysis

Select/revise
methodology

Review
parameters

Monitor
Performance
Analyze
experience



*Quantitative approach
exportable to wider
fields*



What is a wider field?

- New areas in some countries are traditional fields in others
- Expertise, tools and methodologies developed in some countries can thus be drawn upon by actuaries entering new fields in other countries
- Existing actuarial literatures and combined research initiatives within the profession and the academia cover a wider field than the profession does in any country

... The IAA builds translation and search facilities on its website to help mobilize resources from a wider global pool



The Small tent

- ❑ The.. Small.tent. .is.the.status.quo.where the.profession.stays.within.traditional boundaries.with.concentration.in insurance.companies.and.DB.Pension Plans
- ❑ Our.education.and.examination.system imposes.a.longer.and.more.complex.path to.qualification.than.competing disciplines
- ❑ We.risk.losing.some.of.the.best.and brightest.potential.actuaries.to.other.jobs, including.financial.engineers,.risk analysts.for.financial.institutions.and computer.related.professions.



The Big Tent

- ❑ The.. Big.Tent. .is.the.vision.of.the.actuary operating.in.a.wider.field.as.a.broad.based solver.of.problems..providing.high.quality, professional.answers.to.a.wide.range.of finance,.risks,.societal.and.business problems
- ❑ Entails.the.option..to.create.separate requirements.for.pension,.life,.health,.non – life,.investment,.risk.management,.financial engineering,.etc....
- ❑ .Need.to.adapt.to.different.country –based needs.and.variable.levels.of.market development



A FIR , a successful expansion

- ❑ A FIR .born.at.the.23rd.ICA .in.Helsinki,.from an.initiative.of.French.actuaries
- ❑ The..traditional.careers..do.not.attract.as many.actuaries.in.France.so.they.ventured into.wider.fields
- ❑ A FIR.succeeded.in.attracting.under.the actuarial.umbrella.a.number.of.financial engineers.and.other.mathematical.wizards
- ❑ It.made.a.strong.contribution.to.the extension.of.actuarial.research.to.financial topics



The IAA, the most truly globally organized profession

- ❑ 1895:.. *Comit. Permanent. des. Congr. s.d.actuaires.* founded.in.Brussels.as.an.association.of.individual actuaries
- ❑ 1957:..Actuarial.Studies.in.Non-Life:..ASTIN.Section
- ❑ 1968:..Name.changed.to.IAA
- ❑ 1988:..Actuarial.Approach.to.Financial.Risks:..AFIR Section
- ❑ 1991:..International.Promotion.and.Education.Fund:..IPEF
- ❑ 1995:..International.Forum.of.Actuarial.Associations: IFAA
- ❑ 1998:..IAA.restructured.as.association.of.associations
- ❑ 1999:..IACA, created.in.1968, becomes.a.Section.of.IAA
- ❑ 2002; 27th.International.Congress.of.Actuaries



Initiatives for consolidating the actuarial profession

- ❑ The IAA and its member associations are addressing the 4 criteria of a profession
 - ❑ Specific cognitive body of knowledge
 - ❑ Higher education of members
 - ❑ Examinations for competency
 - ❑ Enforceable professional standards
- ❑ Objective: a strategic consensus on the issues of scope, research, educational & certification requirements, governance and organization of the profession
- ❑ Still weak in improving the capacity of the examination systems to ensure consistent quality control



The challenge of the future

- ❑ Deepen the recognition of the profession around the world by responding also to the needs of smaller or developing countries
- ❑ Develop actuarial tools and methodologies to keep pace with a changing more diverse socio-economic environment
- ❑ Meet a demand compounded by the growth of national economies and the wider access to services through technological progress
- ❑ Help actuaries compete in a world demanding higher quality and stronger professional standards



Relationships with non-actuarial organizations

- ❑ Managing pro-actively the relationship with non-actuarial organizations, the Academia and Research networks
- ❑ Creation of a Supranational committee
 - ❑ Key international organizations targeted: IMF, WB, WHO, UNO, ADB, IADB, BERD, OECD, ...
- ❑ Involvement with other professional or technical entities: IASB, ILO, IAS, AIMR, ISSA, BIS,



Research driven expansion

- ❑ Frontiers are being pushed farther in health, finance, demography, environment, etc.
- ❑ Interdisciplinary research has the potential of pushing the frontiers of actuarial science, thus driving the expansion of the profession into new fields
- ❑ Need to get out of the box of existing laws and regulations, enter the world and add a wider range of more theoretical research on fundamental professional/scientific issues, extending to public policy and societal issues



Research Push and Pull

- The needs of a global profession pull research into wider fields; inputs and stronger credentials from research push the profession into still wider fields
- University-based programs become solid resources for the profession's continuing education, research and public policy activities
- Rather than the membership of the A M A ,
What is more powerful, what gives the medical profession credibility are, in fact, medical schools and the academics associated with them, and their research and publications



Globalization of research

- ..The globalization of profession needs to be supported by
- ❑ research beyond the products, which are the means, not the objective
 - ❑ addressing issues important for the society, not only for the industry
 - ❑ serving economies at different stages of development
 - ❑ Requires proactive relations with other professions such as social sciences, political sciences, economists
 - ❑ Help social security architects rediscover the life annuity. (Abraham De Moivre, 1667–1754) as a tool to provide value added to financial security in retirement in DC programs!



A strategic positioning

- ❑ Diversification in wider fields not only maximizes opportunities and attractiveness of actuarial career, it offers protection against fluctuations in markets for our services
- ❑ Many developing economies offer double opportunities:
 - ❑ More fluidity as many areas are not already claimed by another profession
 - ❑ Lower demand for actuaries in traditional fields and practice areas
- ❑ A global profession operating in wider fields is better positioned to occupy new frontiers and preserve its integrity in a competitive professional market