

## ASTIN Committee – Mexico City – 30 September 2012

### DRAFT Minutes

Hotel María Isabel Sheraton

1. Call to order and welcome

Introductions

Committee members present and on the phone introduced themselves.

Present were Peter Boller, Dave Finnis (on phone) Eric Dal Moro, Andrew Cairns (for part of meeting), Enrique De Alba, Glenn Meyers, Jose Luis Lobera, Michiel van der Wardt, Yuji Morimoto, Nils Romer, Christian Leval (from the IAA)

2. Approval of minutes of 2011 ASTIN Committee meeting

Two changes were requested to the 2011 Madrid committee meeting minutes. The minutes were approved as amended.

3. Colloquia reports

a. Update from Mexico 2012 (Jose, Enrique)

There were 379 people registered for the conference and 332 participants

This is below target. 400 was target.

28 countries were represented. 217 of the participants were from Mexico. There were fewer North American participants than expected.

There 69 papers submitted to the joint colloquia. There were 24 ASTIN papers. (36 were submitted, 2 rejected and 10 cancelled by the authors).

Keynote speakers were:

- Michael Lies (CEO Swiss Re) “Managing Capital of a reinsurance group today.”
- Patricia Guinn: Managing Director Risk and Financial Services Towers Watson: “The role of the Actuary in assuring sound risk management practices in financial services”
- Craig Thorburn – Actuary & Insurance Market Expert, World Bank: Microinsurance Some Opportunities and challenges for Actuaries.
- Paul Embrechts - Professor ETH Zurich: The modeling of Rare Events from methodology to Practice and Back.
  
- Bradley Smith Chairman of Milliman & President of the Society of Actuaries: Relative importance of Pricing vs Valuation of Life Insurance Policies.
- Pat Teufel – President of the Casualty Actuarial Society: Professionalism: Key to Sustaining value
- Jim Christie – Past President Canadian Institute of Actuaries: Actuarial Ethics and Standards of Practice

Finances of the colloquium (in Canadian Dollars):

\$216,035 was collected in fees. The Colloquia gave 65 discounts to speakers mainly 33% to people from Latin America. \$14,911 was given in partial discounts. Total

discounts amounted to \$27,310 for a net income of \$173,737. Estimated expenses are \$186,590 for a total loss of \$12,853. Last year the ASTIN committee authorized about \$20,000 as a fund for the Mexico City ASTIN Colloquia. None has been used so far. Help was requested with \$2,326 + \$990 (for bursaries) of expenses. (see discussion later of this topic)

For the ASTIN prize for best paper only 7 papers were submitted by the deadline and not rejected. Two prizes will be awarded. One paper was withdrawn Friday. The committee decided against leaving it on the site

b. Update from Netherlands 2013 (Michiel)

Next year's colloquium is in Hague, May 21-24. Why the Hague? It is an important town. It is the house of the queen and parliament and the international court of justice is located there. The meeting will be at the World forum convention center.

It will Start on Tuesday because of the 2<sup>nd</sup> day of pentecost which is a religious holiday. AG celebrates its 125 year anniversary. They will attach the anniversary congress at the end of the ASTIN colloquium. There will be a party after the event on Friday. Some keynote speakers: Tom Wilson on Friday on Solvency and Risk Management and John Einmahl Extreme Value Statistics

Thursday will be the day for the social event which will be late in the day – not a half day.

The proposed (not exhaustive list) topics are:

- Solvency Capital and Reserving
- Stochastic Modelling
- Risk Management
- Pricing
- Catastrophe Risk
- Monte Carlo Methods
- Lessons Learned from the Crisis
- Reinsurance
- Risk Transfer Vehicles
- Governance
- Extreme Value Statistics
- Climate Risk
- Marketing in insurance

Friday will be only a half a day.

Two months ago (August) registration information and a call for papers was posted to the colloquium web site. There is not much on site yet. Hotel names are not there yet. There will be 3 types of fees: normal ASTIN members, non-member (difference is dues) and a scientific fee of half price for academics. There will be an option to strip out whistles and bells. There will be some early registration discounts. Hotel rates will start at 139 (euros). In Europe quoted rates usually includes taxes. City taxes are not usually included. Possible hotels are: Novotel, Bel Air, and Crown Plaza. ASTIN and AFIR will not be together.

The ASTIN committee meets on Tuesday the 21<sup>st</sup>. starting at 12 noon. We will have until 5PM or 6PM.

Michiel is chair of the committee. He visited GIRO last week to market the colloquium. (there are 625 Non life actuaries at GIRO). A question: should ASTIN support attendance of academics or people from different parts of the world? Michiel passed out souvenirs – shoes – to remind of next year. The 2012 colloquium web site is: <http://www.actuaries.org/ASTIN/Colloquia/Hague/>

c. ICA 2014 – ASTIN Update

Louise commented on the deadline on the call for papers and presentations (September 30, 2012). We believe this deadline is flexible and will announce it at the General Meeting. Both Andrew (representing ASTIN) and Louise (representing the CAS) are on the ICA 2014 Scientific committee. The web site is: <http://www.ica2014.org/>.

d. ASTIN Colloquium 2015 – Candidates

We have just one committee meeting until then (excluding ICA 2014). What could be a venue for 2015? It will be joint with AFIR. In the past Europe dominated the venues.

Possibilities include: Australia (were there in 97), Tokyo (it was there in 99). How about ASIA? Singapore? Can the local actuaries handle it? Sponsoring a colloquium is a lot of work. Australia has a strong actuarial society. Iceland was also proposed. Michiel has already talked to actuaries from Iceland. They might be interested. Volunteers were appointed to investigate various venues. Michiel will talk to people in Iceland. We will contact Dave about Australia. (Louise and Eric also contacted Greg Taylor during the conference). Yuji will talk to actuaries in Japan.

4. Secretary's report (Louise)

There was not much to discuss outside of minutes from last year (discussed at beginning of meeting). A significant issue communicated by email was support of emerging countries. Supporting other sections was also an issue. The issue surfaced by the stepping down of Mett and electing a replacement was also discussed in emails. These will be discussed later.

5. Treasurer's report (Dave could not deliver it in person so Peter presented it).  
2011 Financial Report

## **TREASURY REPORT TO ASTIN COMMITTEE**

### **FINANCIAL YEAR 2011**

(1<sup>ST</sup> JANUARY – 31<sup>ST</sup> DECEMBER 2011)

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1. Since financial year 2005 ASTIN financial statements are made on a **calendar year basis**.

The present Treasury Report regarding financial statements of FY 2011 is submitted for approval by the ASTIN Committee Meeting on 30 September in Mexico City.

2. The FY 2011 financial statements have been prepared by the IAA Secretariat and they are in accordance with **Canadian GAAP** and the currency reference is CAD (Canadian dollars) as opposed to Euro. Investments measured at market value at each reporting date but unrealized gains and losses are recorded in the statement of changes in net assets, whereas realized gains and losses are recorded as investment income (this accounting policy will change for the 2012 reporting period with retroactive application).

In the attached tables, the 2010 audited financial statement data is provided for an appropriate basis of comparison.

3. The **Statement of Revenue and Expenses for FY 2011** (see Table 1) reports a surplus of revenues over expenses in the amount of CAD 24,670 (2010 reported a deficit of CAD \$205,847).

The difference between the 2010 and 2011 results of operations relates to:

- An unfavourable result on currency exchange in 2010 and lower investment income resulted in a net loss of \$89,261. The investment funds were transferred to Canada in 2011 reducing the currency exchange differences in 2011, for 2011 there was a combined income of \$115,239. The strong CAD position also reduced currency exchange losses on other transactions in 2011.
- Bulletin costs were approx \$29,000 lower in 2011 than in 2010 (22% decrease).

4. **ASTIN membership**, for 2011 was 1,451 resulting in Membership Revenues of \$72,850. ASTIN membership for 2010 was approx 1,500 resulting in Membership Revenues of \$76,240 (approx 4% decrease in revenue). Revenues are collected by the IAA.

5. **Section IAA Administrative cost recovery**

Administrative cost recovery paid to the IAA in 2011 was \$21,765 (2010 \$22,845). In 2010 the administration cost recovery paid by ASTIN to the IAA increased to \$15 CAD per member and this rate remained unchanged for 2011 (2009 was \$10 and 2008 was \$6). An agreement between IAA and the Sections will be drawn up and signed in 2012 to address the cost recovery rates and calculations.

6. The total value of **ASTIN assets** as at 31<sup>st</sup> December 2011 (see Table 2) is CAD \$1,087,895 (CAD \$1,140,527 in 2010). These assets include cash deposits, treasury bills, bonds, mixed funds, notes, certificates and stocks. Unrealized investment gains that were included in Net Assets in 2010 were recognized in income in 2011.

Since 2007 the main operational ASTIN bank accounts are located in Ottawa at Scotiabank, where the cash is almost exclusively concentrated. The Investment funds were transferred to Canadian accounts in June 2011.

As regards the ASTIN investment portfolio, its value at the closing date is CAD \$572,828 (CAD \$981,878 in 2010), primarily invested in Government Bonds and Treasury Bills.

IAA Investment accounts are held with BMO Nesbitt Burns and managed by Fiera Capital Inc. and invested per the IAA Investment Policies. Cash balances are held in a high interest account and interest is paid monthly.

7. In respect of **ASTIN Bulletin**, the total **expenses** for administration, printing and shipping the two issues in 2011 have been CAD 107,117 (CAD 136,718 in 2010, a reduction of CAD 29,601).

Moreover, it is noted that, since 2007, when the ASTIN Bulletin became the Journal of the IAA, the ASTIN section receives contributions for ASTIN Bulletins expenses from all other IAA sections.

8. The recommendation is to keep the individual **ASTIN fees** for the next year at the same level of 2010 (50 CAD for the Ordinary Members and 90 CAD for the Benefactor Members).

9. Since FY 2006 the ASTIN financial statements have been **audited** by IAA's auditor. For the present financial statement 2011 the auditors released a clean audit report on April 2012. As per Canadian GAAP the audit covers the financial results and position of the legal IAA entity and as such is the financial statements reflect the total for the IAA including all the Sections. Additional supporting schedules have been included in the Audit package to show the breakdown for the IAA and respective Sections.

The IAA 2011 Audit Report and Financial Statements were approved by electronic ballot in April 2012 and discussed in LA at the IAA Meeting session in May 2012.

**Mexico City, 30 Sept 2011**

Respectfully submitted

Dave Finnisi  
(as ASTIN Treasurer)

**TABLE 1 - STATEMENT OF REVENUES AND EXPENSES (FY 2011)**

	2011		2010	
<b>REVENUE</b>				
Membership Dues	72,850		76,240	
Gain (Loss) on Exchange	28,219		(107,831)	
Gain (Loss) on Investments	81,395		8,757	
Interest Income	3,546		0	
Investment Revenue	5,625		9,813	
	<b>191,635</b>		<b>(13,021)</b>	
<b>TOTAL REVENUE</b>				
	<b>191,635</b>		<b>(13,021)</b>	
<b>EXPENSES</b>				
Service Charges	612		183	
Audit Fees	3,700		2,265	
Bulletins	67,947		0	
Bursaries/Gifts	14,922		16,459	
Contractors/Professional Fees	2,760		0	
Investment Expenses	13,813		10,232	
Meetings - Colloquium	0		684	
Stationary & office misc.	120		0	
Printing	24,170		136,718	
Section Admin Expense	21,765		22,845	
ASTIN Bulletin IAA administration	15,000		0	
Teleconf., phone, fax	0		545	
Travel - General	2,156		2,894	
	<b>166,965</b>		<b>192,826</b>	

<b>TOTAL EXPENSES</b>	166,965		192,826
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENSES</b>	24,670		(205,847)

**TABLE 2 - Balance sheet as at December 31, 2011**

**Assets**

	<b>YE 2011</b>	<b>YE 2010</b>
<b>Current assets</b>		
Cash	515,426	157,557
Treasury Bills (Note 1)	62,268	0
Accrued Interest	0	1,093
<b>Current assets total</b>	<b>\$577,695</b>	<b>\$158,649</b>
<b>Investments</b>		
Bonds (Note 1)	510,200	702,305
Stocks (Note 1)	0	279,573
<b>Investments total</b>	<b>\$510,200</b>	<b>\$981,878</b>
<b>Capital Assets</b>	<b>\$0</b>	<b>\$0</b>
<b>Total assets</b>	<b>\$1,087,895</b>	<b>\$1,140,527</b>

## Liabilities & Net Assets

Payables and Accrued Liabilities	77,767	88,334
Deferred Revenue	500	650
<b>Held Contributions</b>		
Held Contributions total	<u>\$0</u>	<u>\$0</u>
<b>Net Assets</b>		
Unrestricted Surplus - prior years	970,149	970,149
Unrealized Gains & Losses on Invest	14,809	81,395
Retained Earnings	24,670	0
Net Assets total	<u>\$1,009,628</u>	<u>\$1,051,544</u>
<b>Total Liabilities &amp; Net Assets</b>	<u>\$1,087,895</u>	<u>\$1,140,527</u>

### Committee Discussion

In 2011 ASTIN made a little more money than 2010. In 2012 ASTIN will have a loss (based on partial year numbers). There were no exchange rate losses. However there appears to be a lack of detail and difficulty understanding the ASTIN financial statement. Peter Voted against approving the financial statements of the LA (Los Angeles) meeting of the IAA. He did not understand it. There have been a lot of changes on the financial side.

In the past funds were managed by banks in Belgium in various investments. At some point they were sold and converted to Canadian dollars. There were big shifts between stocks and cash. Currently no investments are in stocks even though fixed income investment returns are at historic lows.

Our funds are subject to Canadian rules on nonprofit. Eric pointed out we are Swiss association and Christian pointed out that we are located in Canada. A question to the finance officer: the report does not have many numbers. Peter – would like to know what kind of investments we have. No segregated accounts. Investments are mingled. Better financials.

Louise asked why we do not allocate more investments to stock as we are in the lowest interest rate environment in decades and all investments in cash and bonds. Investment expenses were \$14million. (see file with financial). The financials of IAA are downloadable. Peter pointed out it is not clear who has

what assets. He also mentioned that the statement that the “Intransparent financials of ASTIN corrected” was made at LA to his surprise. Peter also feels we need to budget more and prepared a (preliminary) budget for 2012 and 2013.

#### 2011 financial report vote

Do we approve it? Peter suggested we ask for more info. A vote was taken. The committee voted no (unanimous vote not to approve). At the AGM Peter passed this information on.

It was pointed out that we currently pay more to IAA than in the past but we get a lot more services. In 2008 we paid \$5, in 2009, \$10, in 2010, \$15 per member. It is now \$20 per member. We get many services. The fee seems to be at a stable level going forward.

#### 2012 dues level

(See note section on it.) The committee discussed if we should maintain what we charge now (Canadian\$50). First we needed to vote on 2012. The vote for unchanged dues was unanimous. For 2013 the committee also voted for no change on dues (there was 1 NO).

#### Budget 2013

Postponed

#### Additional

The committee confirmed approval of Benin 2012 seminar funding of up to CAD15,000. The committee was sent presentation by Guillaume Moussa. Peter commented that we spend money where it will create value (i.e., the Benin program).

6. Report of chairman from Committee of Section Chairpersons (Peter)
7. ASTIN Bulletin / Journal of the IAA Editor’s report (Andrew, and invitee: Christian Levac)

#### Bulletin Statistics

The 2011 bulletin had a few less papers than 2010. There were 25 papers. In May 2012 there were 15 papers and an obituary for Paul Johannson. There were 16 on ASTIN topics, 8 on AFIR topics, 8 on Life topics and 1 on Pensions. There was good coverage of a range of topics. There is a predominance of ASTIN (about 2/3 in recent bulletins). There were 99 new submissions in 2011

The ASTIN bulletin has about a 68% rejection rate, an increasing rate. ASTIN wants to publish quality papers. The board believes that there have been improved editorial standards. Some papers were rejected immediately where Andrew felt they were not appropriate for the ASTIN bulletin. For instance papers with just theoretical mathematics may not be considered an actuarial topic and may be more appropriate for a more specialized probability journal.

The mean time to 1<sup>st</sup> decision is about 93 days. The editors are always aware of this statistic. Online submission helps in the management and reduction of the time to decision. Andrew thanked Michel Denuit and Antoon Pelsser for their help on the bulletin: they have recently retired as editors. Christian Levac continues to do an excellent job as the administrator for ASTIN Bulletin.

### New Publisher

For the board, the main activity this year has been to find a new publisher. The goal is to: improve quality of offering, have better electronic publishing and publish 3 times a year. The board also wants to improve visibility of papers. The board put out call for proposals. Cambridge University press won. The first issue published by Cambridge will be in January 2013. There is a short gap from November (next issue) to Jan so the first issue might be small in size.

The committee talked about a move to electronic-only subscriptions for members who prefer it (perhaps with an opt-in). ASTIN would keep the print copy for those who want it. What do we do for immediate year? The committee agreed that for 2013 all members get a printed copy and the decision will be revisited at the May 2013 meeting.

Term lengths were discussed. It has been 17 years since Andrew joined ASTIN bulletin as co-editor.

### Editorial Content

More recently there has been a gradual shift in emphasis to papers with a more practical bias and downplay papers math abstractions. The journal publishes a decent no of papers of interest to members. This may not be entirely obvious from those actually published. The editors still retain the requirement of significant

math, statistical and scientific content. This rules out some papers. (Pensions policy for example). Glenn mentioned that at IAA meetings there is a lot of discussion of policy issues. Would they like a forum for policy papers? Andrew usually recommends the authors submit to another journal. Louise noted that policy papers could be referred to Risk Management and Insurance Reviews, an American Risk and Insurance Association publication. Peter mentioned that ASTIN holds up a tradition. ASTIN Colloquia are viewed as boring, so a shift to more practical papers may increase ASTIN's value to members. Louise mentioned that the Casualty Actuarial Society favors a more practical focus.

Concern is not so much whether we look at policy issues but what is the mathematical statistical support. The papers may represent work in world of what might be and what decisions we should make. Andrew mentioned substantial use of math, and asked what are the consequences of using it? It was felt there may be no right answer to the question as to what falls into the current criteria. It was mentioned that there are big policy Pension issues. Should the IAA have another journal? Peter pointed out banking as an example of the importance of scientific papers. Certain key papers for the financial industry took the world a step further (or closer to a cliff?). There are great ideas and we do not want to miss them.

There was sentiment to maintain a more historic scientific approach and perhaps have another journal (for policy papers) or develop a concept for an ASTIN bulletin segment for policy. Glenn felt we are a scientific journal. Michiel suggested policy papers be published only online. 7 members voted for the current editorial policy. 1 voted in favor of adding policy papers. Jose mentioned that perhaps without leaving scientific focus we could have practical and policy papers. One member was in favor of the 3<sup>rd</sup> option- online policy papers that are scholarly. Andrew found the discussion very useful.

### Cost

Peter stated that there will be shifts in who pays and manages the ASTIN bulletin. The total cost is about \$62, 000 for a full year. If instead there are 1,500 print copies plus additional electronic copies the cost is about \$32, 000.

There is also about \$20,000 for Christian's time. In the past the total cost was about \$120,000. Thus there is a significant savings. Access to papers for members will still be there.

There was a discussion of charging non-members for papers. People with a university will have access any way. For now the last 3 years are only available for free for members. Cambridge will sell subscription. Glenn suggested ASTIN publish computer code and data files accompanying papers (online). Currently they are not in the online addition. The online addition will be in color. Cambridge will help with this. We could ask Cambridge to post computer code and data on their web site.

Almost as soon as a paper is accepted it will be available in pdf on the Cambridge site. Now it is posted a month after the hard copy. Earlier posting is good for citations. There will be open access. The cost of the online copies is not that high. Cambridge just charges what it costs. Prices are quoted in US dollars. Access is part of what you get for being a member. There appears to be a fading attractiveness of ASTIN. Peter suggested we could have a survey. One question: what if people do not respond? The consensus was to let members choose

There is a 5 year contract with Cambridge that runs until 2017. It is between Cambridge and IAA. Newer sections will pay their full cost per copy. Now they pay \$5 per copy which covers just shipping. The Life section has been around for 6 years and has about 1,000 members. Life has a presence in the published papers. Should their cost be shared fairly? We (ASTIN) have wealth and assets compared to other sections. AFIR has about \$500,000. Peter thinks we need more balance. In 2007 ASTIN changed the title of the bulletin (i.e., a journal of the IAA).

Andrew prefers participation in the bulletin be governed by the sections. Sections can choose to participate if governance goes to the section. Who pays and who has the governance? IACA and Health are not interested in the journal. We should encourage sections to get involved more. Individuals are members of the section while actuarial associations are members of the IAA. We are trustees for the ASTIN members. Peter will draft a memo to us ahead of time in early November to take to other section chairs. Eric will coordinate.

#### 8. 2012 Activities

See list in attached file. We have done a lot of list we developed at Madrid. The RFP on Risk Adjustment was posted and awarded. Dave Finnis is the chair of the oversight group.

In Madrid we developed the idea of Topic groups and solicited members for some groups. We did not follow up with actually creating active groups. We will dig out the lists. Three groups were:

- Climate change.
- Risk Measures and Loss reserves
- Catastrophes and scenarios

Thus we lost a year. This was the only activity with a lot of slippage. We feel we could have a Topics Corner. Giro uses this as a way to set up a news brief on a topic

#### Support for countries with emerging actuarial profession

The Benin project is going well. People are graduating from the program. Eric has a member on his team who is from Ghana. We have a proposal for a combined program for Ghana and Benin. Togo is in between the two countries. There has been a positive response to do the program jointly. How to do it? Travel is a problem. Working with people in Africa can be an issue. Eventually perhaps the program will expand to Nigeria. It was proposed that we also allow for more funds (\$C5,000-10,000) to extend the program to Ghana.

One of lecturers asked to be compensated \$2,500 for the year. Peter pointed out that if we pay one we must pay all. The committee decided that ASTIN should not compensate lecturers.

Peter felt that we need to be more structured with requests for support. We can afford support based on assets, but not on income. We do not just have a card to spend. The Chair can make a determination for small amounts (C\$2,500). Peter prefer not to have one offs. Support for West Africa will fade eventually as a profession becomes established and self-supporting. There is a working document from Colin on this topic. We should condense it down to rules.

#### Planning for 2H2012 and 2013(Peter)

Peter prepared and distributed a draft budget for 2012 and 2013 in a September 23, 2012 email (5d. ASTIN Section Budget 2013\_template.xlsx). He currently projects a loss for both years.

#### 9. Membership and promotion of ASTIN

##### Report on Section memberships (prepared by Christian Levac)

We will be recording some sessions at the 2012 colloquium. (Plenary sessions.) Members will have free access.

Chris: Don't have to be a fully qualified member to join the section.

There are multiple mechanisms for paying section dues. The responsibility for increasing membership needs to be addressed locally. Local associations sponsor their section (and collect dues). It is primarily up to section members to sponsor memberships.

10. Report on AGM and elections/new committee members (Peter, Glenn)  
New Committee Member

Mett Havning's second term as a member of the committee comes to an end this year, and the rules are such that she is supposed to step down from the committee. To be very precise: under the present rule and her being an officer, she could continue. However, she confirmed to Peter she does not want to stay on. As a replacement, the Danish Association has proposed Nils Roemer. The committee was sent the recommendation mail and Nils' CV.

A challenge we were confronted with: according to the ASTIN rules, a nomination needs to be made at least 60 days before the AGM. The rule (9.1) states: "The ASTIN Committee shall seek nominees for election to be committee members at least 60 days prior to the time of an election. Nominees with letters of support from their member association will be given preference."

The "way out" is that a committee member can be replaced temporarily, as per Article 9.4, until the next AGM (in The Hague): "Should a vacancy on the ASTIN Committee arise between meetings of the General Assembly, the vacancy may be filled until the next meeting by an Ordinary Member elected by majority vote of the remaining committee members. At the next meeting of the General Assembly, a replacement shall be elected by the Ordinary Members to fill the vacancy for the remainder of the term." Peter proposed we proceed this way.

The committee voted unanimously to approve Nils as Mett's temporary replacement.

Eric Dal Moro was nominated to replace Mett as Vice President of the ASTIN committee. He was approved unanimously.

We had discussion of term lengths in future. The committee had big change last year. Mett was the only officer who stayed on (as vice chair).

11. Date and time of 2013 ASTIN Committee meeting. May 21-24, 2013 in The Hague  
12. Other business

- a. Funds requested for 2012 Colloquium  
Jose request for 2,325 Canadian 990 US\$ was requested. Peter proposed \$C5,000. The motion was unanimously approved.
- b. Change to ASTIN rules (EiC as member, duration of serving)  
We agreed to leave ASTIN rules as is for now. The committee discussed whether the ASTIN bulletin editor on the committee.