



Institute of Actuaries of Australia

Update on International & Across the Pond

Greg Martin

President

Institute of Actuaries of Australia

Nov 2008

Agenda

- **International (Actuarial Association)**
 - ERM Global Initiative
 - Financial Crisis Initiative
 - Other (incl Insurance IFRS)

- **Across the Pond (Aus)**
 - Some disclosure developments
 - Institute of Actuaries of Australia



ERM Global Initiative (NOT IAA)

- What is it?:
 - 8 actuarial association signed up Nov 07
 - SoA, CAS, CIA, NCA, IoA, FoA, ASSA, Aus
 - Agreed to develop a global ERM designation & MRA
 - Since then:
 - Firm interest: Spain, France, Philippines, Catalunya, Israel, Italy, Sweden
 - Active monitoring: Japan, EU GC, NZSA
- Where up to:
 - Oct 08: “End of the beginning”. IAA passive role still.
 - Syllabus: Outline done:
 - Finalise “level” (3.5 on Bloom’s Taxonomy?)
 - Getting down to final detail
 - Treaty: Consistent progress. Issues outstanding around:
 - Name (“XRX”) & SoA “CERA”
 - Accreditation governance/process/standards/role of uni’s etc
- Still maybe first XRX in 2009! (Aus well progressed)



Financial Crisis – IAA etc Initiative

- The “Crisis”. At the core:
 - Build up of systemic leverage. Significant low cost of risk driven.
 - Contagion, interconnection, counterparties
 - Risk identification, management, regulation issues in abundance
- FSF, G20, Central Banks thoughts so far include:
 - Review of Basel II & anti-cyclical regulation/capital
 - Accounting issues:
 - Need for common accounting standards (IFRS?),
 - Transparent disclosure (complex instruments & off-balance sheet structures)
 - Dealing with asset valuation in illiquid & extreme markets (up & down)
 - Improved resilience of OTC, CDS etc (clearing houses?)
 - Cross border regulation “colleges”
 - For multinational banks (and other NBFIs?)
 - Strengthen and expand (roles and resources) of international financial institutions (IMF, World Bank, MDBs), FSF etc
 - Reconsider where regulatory boundaries of systemically important institutions lie
 - Review of risk taking remuneration practices



Financial Crisis – IAA etc Initiative (cont)

Some reform observations:

- **Clearly scope to do better (all)!**
 - Risk identification
 - Risk and capital management
 - Micro, macro, systemic risk
 - System behaviour moderation
- **However, it will happen again in future!**
 - Regulators are “human” ...politics...future errors
 - Animal spirits and/or Game Theory
 - And just plain evolution and change
- **A key focus has to be on:**
 - Damage control: Firebreaks in the system
 - Disaster response: Regulator/international BCP
 - Corporate versus community responsibility (efficiency)



Financial Crisis – IAA etc Initiative (cont)

- Where can actuaries help:
 - ERM within institutions
 - Observations and input to regulatory change
 - Roles within regulators themselves
 - Broader risk advisory roles (authorities)
- IAA announced intention:
 - Develop story book on actuaries & ERM
 - Promotion to governments, regulators
 - Focus is country with less actuarial penetration
 - Education to actuaries on ERM
 - Promotion to actuaries!
- Institute looking to do similar
 - But more comprehensive per above



Other things from Cyprus IAA

- IFRS Insurance Phase II & related technical
 - Work continues via a number of Com's / WG's
 - Accounting, Risk Margins, Stochastic monograph
 - Exit value v's Fulfilment value latest issue
 - Many of existing issues continue
 - Maybe end of 2009 for ED
 - 2011 IASB change overs...a critical date
- International Actuarial Education Program
 - Greater clarity around possible direction
 - Question though on what might actually result



Aus Disclosure Developments

- A lot of recent discussion & debate
 - 50% Aussies don't understand 50%
 - Major issue for understanding 0.5% commissions
 - The "Burnie Pub Test" – 4 page PDS's
 - Less is more!
- Benefit Projections
 - Have historic had problems under "advice" rules
 - Big Institute focus. New government agrees.
 - Assumptions and standards
 - Uncertainty and volatility



Institute of Actuaries of Aus

- Other public policy engagement
 - Retirement ages, savings adequacy, longevity
 - Tax review (Henry)
 - Pension review (Harmer)
 - Emissions Trading Scheme economics
 - Product rationalisation
 - Many technical regulatory submissions
 - Short selling. Debentures regulation.



Institute Convention 2009

- Convention next year
 - “Go For Gold”
 - Perth: 19-22 April 2009.
 - See Institute website
 - 400+ delegates expected.
 - Life/wealth management, health, GI, super, ERM, finance, investment, banking, E&E, etc
 - Great line up of high profile speakers

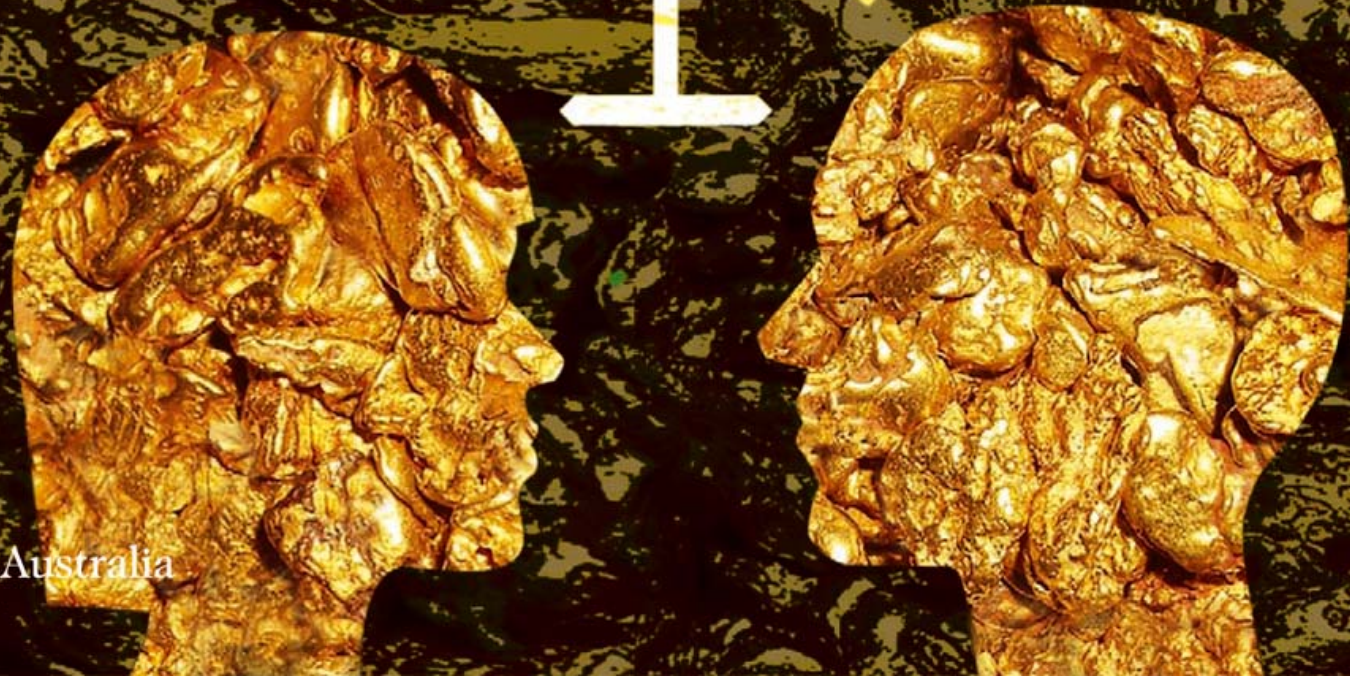


Biennial Convention 2009

Go for Gold

19-22 April 2009 • Perth, Western Australia

Have you
made your plans
for Convention
yet?



Institute of Actuaries of Australia