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Some Advice on Expanding Your Actuarial Universe

By Dan McCarthy

Why should U.S. actuaries care about what's going on internationally? And once they care, is it possible to stay informed in two hours a month or less?

ING GLOBAL

DURING THE PAST DECADE, I have attended three international actuarial congresses and 16 meetings of the International Actuarial Association's (IAA) council or committees, as well as several meetings of various IAA task forces. These activities have taken me to five continents (only one of the more than 20 sessions I attended was in the United States) and have enabled me to meet actuaries from more than 50 countries. Besides enhancing my frequent-flier miles, these meetings exposed me to international issues of interest to actuaries, increased my knowledge of those issues, and broadened my perspective. In one sense, I was fortunate because my job took me to several international locations before I became active in IAA affairs. But even if that weren't the case, I think I would have made the effort to get involved. There is a world of business and professional issues and challenges that reward the engagement of U.S. actuaries. It's in our best interests, but it's also a lot of fun. Let me tell you why.

For my purposes here, I am defining international to include everything outside the United States, except Canada. No, this isn't one of those 51st-state rants; it's just that (particularly since there are several thousand Canadian actuaries who are fellows or associates of the Society of Actuaries or the Casualty Actuarial Society) Canada is in many respects different from international-other-than-Canada.

OK, now why should you care about international events affecting the actuarial profession? If you are part of the 10 percent to 15 percent of U.S. actuaries who already follow international developments that are of interest to actuaries, you can probably skip this list, except for the last item.

REASON NUMBER 10—The U.S. economy is much more intertwined with the economies of other countries than it used to be. What happens there matters here and vice versa. This is as true in financial services as it is in politics, sports, or any other field of endeavor. So, in the long run (and maybe also in the short run), if we do not understand what is happening there, we won't understand what's happening here either.

REASON NUMBER 9—Many U.S. actuaries work for companies that are owned by foreign parent entities. A sizable (and increasing) portion of the market for actuaries in the United States is ultimately controlled elsewhere. Understanding international developments is important to U.S. actuaries from a marketplace-relevance point of view.

REASON NUMBER 8—Many U.S. employers of actuaries have extensive international operations. If you want to understand your employer, you need to understand the environments (products, finances, politics, culture, etc.) in which the company operates.

REASON NUMBER 7—Even in the health care arena—where we have often thought that the United States is unique in the world—other countries are beginning to allow or encourage parallel public-private systems. This will open major opportunities for U.S. health care actuaries and their employers.

REASON NUMBER 6—International accounting standards may or will replace U.S. GAAP (generally accepted accounting principles) in the not-too-distant future. You probably need to understand this development.

REASON NUMBER 5—European concepts in the solvency regulation of insurers may or will affect U.S. insurance regulation before too long. You may well need to understand this development, too.

REASON NUMBER 4—The United States is a mature economy (whether or not we are in a recession right now), and more and more companies of all types will look toward developing countries abroad to meet their growth objectives.

REASON NUMBER 3—Many U.S. actuaries will have opportunities to spend parts of their careers outside the United States. These may be the best and most interesting jobs available, and most of them will go to people with international knowledge and interests.

REASON NUMBER 2—The global growth of the actuarial profession is more rapid outside the United States than within it. In the long run, that will affect how we think about actuarial education, professionalism, and the content of the work that actuaries do. In short, the global development of the actuarial profession will matter to all of us.

REASON NUMBER 1—Your global interest and awareness can lead to international travel and all that it entails—historic cities, beautiful scenery, and great food!

Moving From Why to How

OK, I'll admit that I exaggerated just a bit—two hours per month will not give you in-depth international knowledge. However, it will enable you to know what is going on in areas that are of interest to you, so you can dive into those areas in more detail. Whatever your area of practice, you need to keep up with current developments. If you aren't doing so already, the first step is to add international activities to the developments that you are tracking.

It's relatively easy to stay up on major international developments by reading various financial newspapers. But there are resources closer to home that allow you to fine-tune your information. All North American actuarial publications carry articles about international activities, and a push is on to expand that coverage significantly. The April *Actuarial Update*, for instance, featured an article by Dave Hartman, a former Academy president who is currently president of the IAA, explaining elements of the IAA's draft strategic plan and urging input from U.S. actuaries.

Just by staying current with these publications, you will have invested your monthly two hours wisely and will, over time, gain a good general sense of important developments. You might also find yourself wanting to do more. The possibilities are endless, as is the amount of time you could wind up spending. However, let me suggest a few things.

First, consider volunteering with the IAA. The Academy, the CAS, and the SOA all maintain an extremely active presence on IAA committees and in IAA governance generally. On the plus side, this is where the scenery and the good food might come in. On the minus side, this kind of work can involve a lot of time and cost (although in general, all three organizations provide some subsidy in order to help defray those costs). If this interests you, see the organization-specific comments on Page 52 as to how to get involved.

In recent years, the IAA has expanded the number and range of activities of its practice-specific sections, and this is perhaps an easier way to dip your toe into international waters. The IAA website (www.actuaries.org) has links to all seven sections, as well as instructions on how to join. Section dues are cheap, so it's a low-cost investment. In addition, some of the sections (like the life and health sections) have been established relatively recently,



THE INTERNATIONAL ACTUARIAL ASSOCIATION

The forerunner of the International Actuarial Association (IAA) was established at the end of the 19th century. For the first 100 years of its existence, it was an association of individual actuaries, and its principal function was the organization of international actuarial congresses every four years.

In 1998, after a series of permutations, it became an association of associations. Currently, 58 actuarial associations throughout the world, including the American Academy of Actuaries, the American Society of Pension Professionals and Actuaries (ASPPA), the Canadian Institute of Actuaries (CIA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA), are full members. Each full member association has demonstrated to the IAA that its rules for admitting "fully qualified actuaries" satisfy the IAA's educational and professional standards.

Some of the IAA's work is internal, including establishing and maintaining standards and admitting new member associations (there are more each year, as the profession becomes established in developing economies throughout the world). However, a lot of the IAA's work has an outward focus. Through its committees, for example, the IAA maintains relationships with organizations such as the International Accounting Standards Board and the International Association of Insurance Supervisors, providing them with important actuarial input. Through its sections, which are devoted to different areas of actuarial practice, the IAA provides a forum for the interchange of developments in actuarial research and actuarial practice throughout the world.

The core operations of the IAA are financed by dues paid by its full member associations. Dues are a function of each association's head count of fully qualified actuaries; if you are a member of the Academy and/or a fellow of ASPPA, the CAS, the CIA, or the SOA, dues are being paid on your behalf and you have access to the "Members" portion of the IAA website. IAA section activities are financed by dues paid by section members—actuaries can join any of them—and by registration fees for colloquia that the sections sponsor.

so there's an opportunity to get involved in their early development and to influence the direction they take going forward. Colloquia that are put on by the various sections are often held in conjunction with IAA council and committee meetings, making it easier to cover travel costs. The IAA sections, frequently referred to by their acronyms, are:

ASTIN (Actuarial Studies in Non-Life Insurance) was founded in 1957 and is the oldest IAA section. It publishes the *ASTIN Bulletin*, a refereed technical journal that, notwithstanding ASTIN's name, includes articles on modeling and other technical topics across the full range of practice areas. The section sponsors an annual colloquium that is always well-attended.

AFIR (Actuarial Approach to Financial Risk) was founded in 1986. Its activities are centered on an annual colloquium about matters of risk management.

SIGN ME UP

- Academy members interested in international work should indicate this on the volunteer form that is available on the Academy's website (www.actuary.org/volunt.asp) or in the annual survey of member volunteer interest.
- Those interested in volunteering through the SOA should contact Martha Sikaras, the SOA's director of international activities (msikaras@soa.org).
- The CAS also sponsors an annual volunteer survey, through which CAS members can indicate their interest in working on international issues. More specifically, the CAS' International Issues Committee is currently looking for CAS actuaries on the ground in foreign countries who are willing to serve as regular contacts for local actuaries and universities. For more information, go to www.casact.org/volunteer/.



IAAHS (IAA Health Section) was founded in 2003. It has held colloquia in cooperation with other IAA sections, publishes an online journal, and is in the process of developing "topic teams" to enable actuaries to work with others on specific topics of mutual interest.

IAALS (IAA Life Section) was founded in 2006. It has already held one colloquium and one seminar, and expects to expand its activities in the months and years ahead.

PBSS (Pensions, Benefits, Social Security) was formed in 2003. It has sponsored several meetings (colloquia and seminars) on international benefits topics.

IACA (International Association of Consulting Actuaries) was founded in 1958 and became a section of the IAA in 1999. It has worked with other sections to ensure that their colloquia contain a focus of interest to consulting actuaries.

AWF (Actuaries Without Frontiers) was founded in 2003. Its members have provided pro bono assistance to developing nations on societal problems that can benefit from an actuarial input.

Closer to home, there are opportunities for international involvement through your membership in any one of the five U.S.-based actuarial organizations. Those who become involved in committee and section activities have the opportunity of rep-

resenting one of the U.S.-based organizations on different IAA committees, in areas that range from financial reporting to insurance regulation to health care.

To be selected as a representative, you will need to demonstrate expertise in the topics on which IAA committees work and the willingness to become active on an international level. I have found that the first almost inevitably leads to the latter. You may, too.

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INTERNATIONAL RESOURCES

The publications listed below are all available online.

The IAA Newsletter is published three times per year. It and a wealth of other information can be found on the IAA website. www.actuaries.org

Contingencies runs frequent features and departments with an international focus. Recent issues have included articles on European legal developments affecting the insurance and reinsurance industries, the U.S. perspective on Solvency II, and the global actuarial implications of finite natural resources. www.contingencies.org

Actuarial Update, the monthly newsletter of the American Academy of Actuaries, provides ongoing news of international developments in a monthly column. www.actuary.org/update/index.asp

The Actuarial Review, a quarterly publication of the Casualty Actuarial Society, frequently runs articles of international import. Recent issues have featured articles on Solvency II, governmental requirements for the use of internal models in the United Kingdom, an account of the 2007 GIRO Conference in the United Kingdom (GIRO is the casualty practice section of the British Institute of Actuaries and the Scottish Faculty of Actuaries), and a discussion of International Accounting Standards Board developments of interest to casualty actuaries. www.casact.org/pubs/

The Actuary, a bi-monthly publication of the Society of Actuaries (SOA), contains occasional features on international topics. For more detailed international coverage, go to the newsletters of each of the SOA's practice-related sections, particularly the newsletter of the SOA's International Section. Recent articles include a discussion of IASB developments in *The Financial Reporter*, the newsletter of the SOA's Life Insurance Financial Reporting Section, and an item on pension plan designs and investment strategies in Europe in *The Pension Forum*, the newsletter of the SOA's Pension Section. Section newsletters typically are published several times annually. www.soa.org/news-and-publications/publications/default.aspx