

American Academy of Actuaries

Current Topics:
for the
Southeastern Actuaries Conference
June 23, 2005



Current Topics: The Academy's Role re:

- The Morris Report
- Insurance Financial Reporting – U.S.
- Insurance Financial Reporting – Int'l
- Pensions



The Morris Inquiry

- A wide-ranging government examination of the UK actuarial profession
- Touched off by the failure of Equitable (UK); but much broader than that
- Sir Derek Morris led the inquiry



The Inquiry included:

Regulation of the profession
Education/qualification/CPD
Actuarial roles
Standard-setting, scrutiny, discipline
Public interest and accountability



The Inquiry Process

- Extensive interface with the Institute
- Info gathered from around the world
- Involvement of the Academy, IAA, Etc.
- Interim report – request for comment
- Final report
- What next?



Key Recommendations

- Government oversight of the profession
- Establish an ASB (government oversight)
- E&E – broader input, etc.
- Criticism of the “on the job” route
- “Reserved roles” in life and pension to continue (possibly other areas also)
- Peer review, whistle-blowing, etc.



Potential U.S. Impact

- It could happen here, though our federal system makes “single source” oversight hard to envision
- Biggest point of focus is external involvement in education, standards, discipline, etc.



U.S./North America Actions

- Academy has formed an inter-organization task force to review, especially re. public aspects.
- SOA and CAS looking at educational implications, etc.



Biggest Takeaways

- More external oversight of the profession is likely to occur, in one form or another.
- The stronger the profession is, the easier it will be.
- Stay Tuned



Insurance Financial Reporting – U.S.

- Terry Vaughan, NAIC President (2002) said “The NAIC could not function without the work of the Academy”.
- True then, truer now.
- New products with wide-ranging, difficult-to-value guarantees have created statutory valuation challenges.



Insurance Financial Reporting U.S. (cont'd)

- The Academy has been in the forefront.
- Divisions within the insurance industry and with (and among) the regulators
- Tax issues make solutions harder to find
- Be proud of our work – and BE INVOLVED IN IT !



Insurance Financial Reporting Int'l

- Timing and end position remain uncertain
- BUT something is going to happen
- Effects:
 - International companies
 - US companies – GAAP
 - US companies – Stat



Insurance Financial Reporting – Int'l (cont'd)

- The dawn of international standards for actuaries
- Implications for the ASOPs
- Stay tuned



Pensions

- Do you read the newspapers?
- A few thoughts:
 - Economic volatility and employer financial stress pose major issues.
 - Academy pension committee has worked closely as “honest broker” of ideas to deal with shortcomings without killing DB plans.
 - Recent House bill reflects Academy input.

