

**NORTH AMERICAN ACTUARIAL COUNCIL | Annual Report 2012-2013**

Moving the actuarial profession forward in North America



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### PARTICIPATING ORGANIZATIONS

The North American Actuarial Council (NAAC) brings together the nine national actuarial organizations on the North American continent:

- American Academy of Actuaries (Academy) (U.S.-based)
- ASPPA College of Pension Actuaries (ACOPA) (U.S.-based)
- Asociación Mexicana de Actuarios (AMA)
- Asociación Mexicana de Actuarios Consultores (AMAC)
- Canadian Institute of Actuaries (CIA)
- Casualty Actuarial Society (CAS) (U.S.-based)
- Colegio Nacional de Actuarios (CONAC)
- Conference of Consulting Actuaries (CCA) (U.S.-based)
- Society of Actuaries (SOA) (U.S.-based)

The primary purpose of NAAC is to build solid and lasting bridges between the professional actuarial organizations of North America. It provides a forum to promote coordination, cooperation, and trust among the leadership of the participating organizations, who represent actuaries in Canada, Mexico, and the United States. In this spirit, NAAC members exchange and share information on significant current activities, discuss profession-wide issues (not necessarily involving all Participating Organizations) and, wherever possible, develop an action plan to address those issues.

For example, NAAC:

- Seeks to develop a coordinated vision of the future direction of the actuarial profession in North America.
- Discusses international issues from a North American perspective and, if appropriate, establishes joint positions and strategies for pursuing those positions outside of North America.
- Serves as a forum to encourage the resolution of conflicts between two or more of the Participating Organizations.
- Works in a coordinated manner to address issues—where overlap of efforts exist—to make the most efficient use of the North American actuarial profession's resources.
- Identifies and promotes forums, activities, contacts, and events that can broaden organizational communications among other leaders and members of the profession.

## GUIDING PRINCIPLES OF NAAC

Section 2 of the North American Actuarial Council Working Agreement provides the official description of NAAC's purpose. It is published in the NAAC Manual and is included in publications distributed by the Participating Organizations to their members.

The Participating Organizations jointly acknowledge that:

- The operating environments in the three North American countries are very different,
- The Participating Organizations' members expect the organizations to leverage resources and take appropriate advantage of synergies, and
- Increased information sharing and dialogue among the Participating Organizations has the potential to yield collective insights valuable to each organization.

Accordingly, the Participating Organizations define NAAC's purpose as follows:

- NAAC is to be a catalyst for dialogue on key issues facing the North American actuarial profession.
- NAAC is to be a facilitator of opportunities for leveraging of resources across organizations.
- NAAC is to be a source of knowledge in identifying conditions, trends, assumptions, and key issues affecting the North American actuarial profession and benchmarking best practices among member organizations.
- NAAC is to be a forum for information sharing on current and potential activities among the North American actuarial organizations.
- NAAC is to be a forum where networking occurs and camaraderie is built among the leaders of the North American actuarial organizations.

In fulfilling its purpose, NAAC shall abide by the following guiding principles:

- The conditions, cultures and perspectives of each individual country and their member organizations will be respected and valued.
- The autonomy of each member organization to pursue its mission and purpose will be preserved.
- The public interest will always be a primary consideration.
- The best interests of the profession will always be considered.

## **LOOKING AHEAD**

Leaders of NAAC member organizations are responsible for supporting the spirit and communicating the content of the Working Agreement to their respective organizations. In the years to come, NAAC shall serve as a forum for the exchange of ideas, common problems, and common solutions for the myriad issues facing the North American actuarial community.

## ▶ 2012–2013 NAAC ACCOMPLISHMENTS

### **PROMOTING CONTINUITY**

NAAC maintains its recurring annual process of providing comprehensive orientation for new NAAC members to sustain momentum from year to year. This process also includes orientation related to NAAC member organizations' involvement at the International Actuarial Association, to soften the learning curve in a time of intense activity related to the development of model International Standards of Actuarial Practice and other IAA issues. Outgoing presidents report on current and resolved NAAC issues. The NAAC Manual, posted on NAAC's SharePoint site and updated as needed, as well as current and past annual reports, also help to create continuity.

### **NAAC SHAREPOINT SITE**

The NAAC SharePoint site enables NAAC members to share files and documents, including meeting materials, approved minutes, the NAAC manual, the NAAC annual report, policy statements, and other information. Access is limited to authorized users only.

### **NAAC COLLABORATIVE RESEARCH GROUP**

The NAAC Collaborative Research Group (CRG) was created at NAAC's February 2009 meeting.

The CRG has been holding quarterly conference calls. One project they are sponsoring is the regulatory risk that insurance companies and their actuaries face in North America along with mitigation strategies and communications for which it has launched two studies. The CRG has also issued a Request for Proposals for a study relating to the effect of changing health expectancy (the number of years a person can expect to live in good health) on insurance organizations and governmental programs in North America in terms of products, risks, and stakeholders. The group also has been sharing information on their ongoing projects, which include the Actuaries' Climate Volatility Index.

### **CROSS-BORDER DISCIPLINE AGREEMENT WITH MEXICO**

NAAC has reinitiated discussions on a possible Cross-Border Discipline Agreement with Mexico.

### **HOW NAAC ORGANIZATIONS APPROACH THE DEVELOPMENT OF NON-TRADITIONAL FIELDS OF ACTUARIAL PRACTICE (HEALTH, BANKING, ETC.)**

NAAC members discussed the different fields of practice in which actuaries are found in Canada, Mexico, and the United States, and they discussed the challenges that can occur in maintaining actuarial recognition when they do not work in traditional fields of actuarial practice.

## **NORTH AMERICAN PROFESSION AT THE INTERNATIONAL ACTUARIAL ASSOCIATION**

Each member organization of NAAC participates actively in the work of the International Actuarial Association, bringing the perspective and the expertise of Canadian, Mexican, and U.S. actuaries to the twice-yearly meetings and ongoing work of the body that brings together actuaries from across the globe.

### **Model International Standards of Actuarial Practice (ISAPs)**

NAAC member organizations have been sharing information related to the Actuarial Standards Committee (ASC) at the International Actuarial Association. Proposed model International Standards of Actuarial Practice (ISAPs) are submitted to the IAA's Council for a vote and the IAA's Council has approved two model standards: model ISAP 1, which relates to general practice, and model ISAP 2, which relates to the financial analysis of social security programs. NAAC members have participated in two task forces charged with developing model standards related to International Accounting Standard (IAS) 19 and International Financial Reporting Standard (IFRS) 4.

### **The IAA's Memoranda of Understanding (MOUs) with Other Supranational Organizations**

The IAA is working to identify the best ways to interact with various organizations with which it has signed MOUs: the International Association of Insurance Supervisors (IAIS), the Organization for Economic Cooperation and Development (OECD), the International Accounting Standards Board (IASB), the International Social Security Association (ISSA), and the International Organization of Pension Supervisors (IOPS).

## **INCREASED INFORMATION SHARING AMONG NAAC MEMBER ORGANIZATIONS**

### **Health Care Reform in the United States**

NAAC members were briefed on the Academy's intensive work related to the development and implementation of the Affordable Care Act (ACA), including the challenge to its constitutionality, and ongoing attempts to repeal or replace portions of the ACA. They discussed the individual mandate and its effect on insurance companies' premiums. They also discussed Medicaid expansion provisions in the Act, and other provisions related to subsidies for the poor, medical loss ratio reporting requirements, the new annual rate review and disclosure process, the temporary high-risk pools that will be phased out by Jan. 1, 2014, tax credits for small businesses, the various plans' metal tiers, risk-sharing mechanisms, and how insurance marketplaces are expected to function.

## **Retirement Age, Mortality Improvements, and Pension Practice in Canada**

The CIA gave a presentation to NAAC members on these topics explaining the three-tier structure of the Canadian retirement system: the first is made up of the Old Age Security (OAS) pension; the second is the Canada Pension Plan (CPP) or, in Quebec Province, the Quebec Pension Plan (QPP); and the third is made up of private pension plans, a good portion of which are Defined Benefit (DB) plans, and plans for public sector employees. NAAC members also noted the increased improvement in mortality in Canada in relation to existing mortality tables.

## **The CIA's University Accreditation Program**

The CIA updated NAAC members on its University Accreditation Program, through which students who complete required courses and obtain a pre-determined grade or better can apply to the CIA for exemptions from certain CAS/SOA examinations leading to an ACIA and FCIA designation.

## **New Insurance Law in Mexico**

The new insurance law in Mexico incorporates Mexican Solvency II requirements with an emphasis on balancing quantitative requirements. The law has two pillars: Pillar I, the solvency pillar, allows companies to create their own models or use the insurance commissioner's model with their market information. Pillar II is the review and control pillar, which incorporates requirements related to governance, insurance practices, investment policies, model design, dynamic solvency tests, and auditing practices.

## **Environmental Scanning**

NAAC members shared information and perspectives on risks related to severe income disparity, chronic fiscal imbalances, rising greenhouse gas emissions, water supply crises, and mismanagement of an aging population. They also discussed China's increasingly impoverished aging population; microinsurance; Islamic finance; the effect of a sudden increase in interest rates on the insurance and pension industries and the actuarial profession; the effect of the continuing Euro crisis on the United States; and economic growth in South America, which varies significantly by country but where a rising middle class is increasing demand in services.

## **NAAC Agenda-Setting**

In keeping with their previous commitment to do so, NAAC members have addressed broad discussion topics in the future to encourage spontaneous discussion, which helps to identify naturally collaboration opportunities among NAAC member organizations.



## ▶ NAAC MEMBERS AND STAFF

The North American Actuarial Council is composed of up to two officers of each Participating Organization. One of the two officers is the President of the Participating Organization, and the other is usually the President-Elect, although an organization can appoint another officer it considers more appropriate.

### 2013 NAAC COUNCIL MEMBERS

#### Academy

- President:..... Cecil D. Bykerk
- President-Elect: ..... Thomas S. Terry

#### ACOPA

- President:..... Mark K. Dunbar
- President-Elect: ..... Thomas J. Finnegan

#### AMA

- President:..... Eduardo Lara di Lauro
- Vice President:..... Crisóforo Suárez Tinoco

#### AMAC

- President:..... Jorge Servín Sotres
- Vice President:..... Roberto Rocha López

#### CIA

- President:..... Jacques Lafrance
- President-Elect: ..... Jacques Tremblay

#### CAS

- President:..... Gary R. Josephson
- President-Elect: ..... Wayne H. Fisher

#### CONAC

- President:..... Pedro Pacheco Villagrán
- Vice President:..... Luis Álvarez Marcén

#### CCA

- President:..... Patricia A. Rotello
- President-Elect: ..... John J. Schubert

#### SOA

- President:..... Tonya B. Manning
- President-Elect: ..... Mark J. Freedman

## 2012 NAAC COUNCIL MEMBERS

### Academy

- President: ..... David K. Sandberg
- President-Elect: ..... Cecil D. Bykerk

### ACOPA

- President: ..... Joseph A. Nichols
- President-Elect: ..... Mark K. Dunbar

### AMA

- President: ..... Eduardo Lara di Lauro
- Vice President: ..... Crisóforo Suárez Tinoco

### AMAC

- President: ..... Jorge Servín Sotres
- Vice President: ..... Roberto Rocha López

### CIA

- President: ..... Simon R. Curtis
- President-Elect: ..... Jacques Lafrance

### CAS

- President: ..... Patricia A. Teufel
- President-Elect: ..... Gary R. Josephson

### CONAC

- President: ..... Jesús Zúñiga San Martín
- Vice President: ..... Gerardo Sánchez Barrio

### CCA

- President: ..... Dale H. Yamamoto
- President-Elect: ..... Patricia A. Rotello

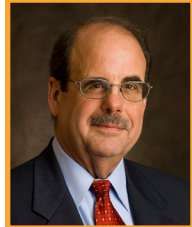
### SOA

- President: ..... Bradley M. Smith
- President-Elect: ..... Tonya B. Manning

## COUNCIL PHOTOS



**Thomas S. Terry**  
Academy  
President-Elect 2013



**Cecil D. Bykerk**  
Academy  
President-Elect 2012  
President 2013



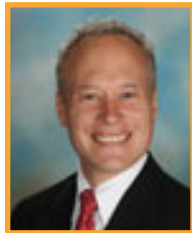
**David K. Sandberg**  
Academy  
President 2012



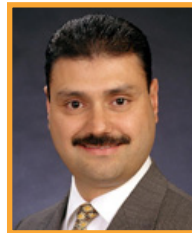
**Thomas J. Finnegan**  
ACOPA  
President-Elect 2013



**Mark K. Dunbar**  
ACOPA  
President-Elect 2012  
President 2013



**Joseph A. Nichols**  
ACOPA  
President 2012



**Eduardo Lara di Lauro**  
AMA  
President 2012–2013



**Crisóforo Suárez  
Tinoco**  
AMA  
Vice President 2012–2013



**Jorge Servín Sotres**  
AMAC  
President 2012–2013



**Roberto Rocha López**  
AMAC  
Vice President 2012–2013



**Jacques Tremblay**  
CIA  
President-Elect 2013



**Jacques Lafrance**  
CIA  
President-Elect 2012  
President 2013



**Simon R. Curtis**  
CIA  
President 2012



**Wayne H. Fisher**  
CAS  
President-Elect 2013



**Gary R. Josephson**  
CAS  
President-Elect 2012  
President 2013



**Patricia A. Teufel**  
CAS  
President 2012



**John J. Schubert**  
CCA  
*President-Elect 2013*



**Patricia A. Rotello**  
CCA  
*President-Elect 2012*  
*President 2013*



**Dale H. Yamamoto,**  
CCA  
*President 2012*



**Pedro Pacheco Villagrán**  
CONAC  
*President 2013*



**Luis J. Álvarez Marcén**  
CONAC  
*Vice President 2013*



**Jesús Zúñiga San Martín**  
CONAC  
*President 2012*



**Gerardo Sánchez Barrio**  
CONAC  
*Vice-President 2012*



**Mark J. Freedman**  
SOA  
*President-Elect 2013*



**Tonya B. Manning**  
SOA  
*President-Elect 2012*  
*President 2013*



**Bradley M. Smith**  
SOA  
*President 2012*

## NAAC STAFF

The executive directors of the Participating Organizations attend and participate in NAAC meetings, but are not members of NAAC and do not vote.

### Chief Staff Officers



**Mary Downs**  
Academy  
Executive Director



**Judy Miller**  
ACOPA  
ASPPA Chief of Actuarial  
Issues and Director of  
Retirement Policy



**Michel Simard**  
CIA  
Executive Director



**Cynthia Ziegler**  
CAS  
Executive Director



**Rita DeGraaf**  
CCA  
Executive Director



**Patricia Luna**  
AMA, AMAC, CONAC  
Executive Director



**Greg Heidrich**  
SOA  
Executive Director

## OTHER STAFF

When appropriate, the Academy agrees to make its legal counsel available to NAAC; and to coordinate, upon request, with counsel for the CIA and the Mexican organizations.

Academy Senior Policy Analyst Claire Mickelson provides staff support for NAAC and for the Council of U.S. Presidents (CUSP). She can be reached at 202.223.8196 or at [mickelson@actuary.org](mailto:mickelson@actuary.org)

## **PARTICIPATING NAAC ORGANIZATIONS**

NAAC brings together the five national actuarial organizations in the United States, the three in Mexico, and the Canadian Institute of Actuaries. The missions of the nine Participating Organizations may be summarized as follows:

### **American Academy of Actuaries (Academy)**

The Academy serves the public and the U.S. actuarial profession. To accomplish this, as the public voice for the United States actuarial profession, the Academy provides independent and objective actuarial information, analysis, and education for the formation of sound public policy; provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct; advances actuarial practice by informing and educating its members on public policy and professionalism issues and current and emerging practices; identifies and addresses issues on behalf of the public interest on matters in which actuarial science provides a unique understanding; increases the public's understanding and recognition of the value of the actuarial profession; provides opportunities for professional development of its members through volunteerism and service to the profession; facilitates and coordinates response to issues of common interest among the U.S.-based actuarial associations; and coordinates the representation of the U.S. profession globally. The vision of the Academy is that financial security systems in the United States be sound and sustainable, and that actuaries be recognized as preeminent experts in risk and financial security.

### **ASPPA College of Pension Actuaries (ACOPA)**

All credentialed actuarial members of ASPPA are members of the ASPPA College of Pension Actuaries (ACOPA). ACOPA is a part of the American Society of Pension Professionals and Actuaries (ASPPA). The major goal of ASPPA and ACOPA is to educate all retirement plan professionals and to preserve and enhance the employer-based retirement system as an essential part of a national retirement income policy in the United States. ACOPA is responsible for identifying and addressing the professional development needs of the actuarial membership of ASPPA. ACOPA is also the primary source of professional organizational support for pension actuaries, and is charged with carrying out ASPPA's responsibilities as one of the recognized U.S.-based actuarial organizations and as a member of NAAC.

### **Canadian Institute of Actuaries (CIA)**

The Canadian Institute of Actuaries is the national organization of the actuarial profession in Canada. The Institute is dedicated to serving the public through the provision by the profession of actuarial services and advice of the highest quality. To this end, the Institute promotes the advancement of actuarial science and sponsors programs for the education and qualification of members and prospective members. It maintains programs to ensure that actuarial services provided by its members meet accepted professional standards. The

Institute also provides services to actuaries in Canada to assist them in the discharge of their professional responsibilities. The vision of the CIA is for actuaries to be recognized as the leading professionals in the financial modeling and management of risk and contingent events.

### **Casualty Actuarial Society (CAS)**

The purposes of the Casualty Actuarial Society are to advance the body of knowledge of actuarial science applied to property, casualty, and similar business and financial risks, to establish and maintain standards of qualification for membership, to promote and maintain high standards of conduct and competence for the members, and to increase the awareness of actuarial science. The vision of the CAS is to be the pre-eminent resource for education, knowledge, experience and applied research for those actuaries who specialize in property, casualty, and similar business and financial risks, including the field known as general insurance.

### **Conference of Consulting Actuaries (CCA)**

The Conference of Consulting Actuaries advances the quality of consulting practice, supports the needs of consulting actuaries, and represents their interests.

### **Mexican Association of Actuaries (AMA)**

The Mexican Association of Actuaries supports the Mexican actuarial profession in maintaining high standards of professional integrity and technical expertise, and thereby promotes the dignity of the profession and enhances the public's recognition of the profession's value.

### **Mexican Association of Actuarial Consultants (AMAC)**

The purpose of the Mexican Association of Actuarial Consultants is to advance the quality of actuarial consulting practice in Mexico by providing continuing education and business support services to Mexican actuaries in consulting practice.

### **National College of Actuaries (CONAC)**

The National College of Actuaries serves as the professional membership organization for all the actuaries licensed to practice in Mexico, regardless of their specialty area; advises the Mexican government concerning public policy matters with actuarial implications; and fosters actuarial education and research in Mexico.

### **The Society of Actuaries (SOA)**

The Society of Actuaries is an educational, research, and professional organization dedicated to serving the public and Society members. Its mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business, and societal problems involving uncertain future events. The vision of the SOA is for actuaries to be recognized as the leading professionals in the modeling and management of financial risk and contingent events.