Institute and Faculty of Actuaries

Actuarial Association of Europe,
1 Place Du Samedi,
B-1000 Brussels,
Belgium
Attn: Falco Valkenburg, Chairperson

25 May 2020

Dear Falco

Thank you for your letters of 10 April and 4 May 2020.

As you are aware, the Institute and Faculty of Actuaries (IFoA) advised the Actuarial Association of Europe (AAE) at the end of last year that we were reviewing our ongoing membership of the AAE in light of a wider review of all areas of our activities to which we devote substantial management and key volunteer time in an effort to ensure that we deliver value to our members and the wider profession.

Since then, representatives from the IFoA and the AAE have been in active discussion about the possible future role of the IFoA as a participant in the AAE. We have tried to set out in our previous correspondence and calls those areas in which the IFoA feels that there is real value to all parties in the IFoA continuing to play a leading role in the AAE, and the areas where either it is impracticable for the IFoA to do so or where we see that the IFoA is not fully aligned with the AAE. For example, due to a legal challenge in the UK, we would be unable to participate in a Mutual Recognition Agreement (MRA), and due to Brexit, our ability to play a leadership role interacting with EU institutions is limited. Our membership is global, with approximately two thirds of our new joiners being outside Europe, leading the IFoA strategy to be more globally than regionally focused.

The one area we believe is of paramount benefit to the IFoA and the other AAE member associations is collaboration on thought leadership and research. One of the original reasons behind the establishment of the AAE was to further promote the Actuarial profession and provide support to actuaries in Europe, and we see such collaboration as a prime mechanism to achieve this.

That is not to say that we disagree with the AAE strategy as a way forward for the AAE, rather that we wish to focus our priorities differently. As you have pointed out in our discussions, there are many associations which are members of the AAE, some of which are more or less concerned or interested in parts of the AAE objectives.

We have all spent considerable time and effort trying to agree a new approach which would involve a different type of membership for the IFoA, With challenges posed by the C-19 crisis, I believe that our efforts are best channelled into resolving our issue as effectively as possible rather than entering into further detailed discussions of a 'new' type of membership category. Hence, I would suggest that we try to keep the proposal as simple as possible.

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We propose that the IFoA continues to be a full member of the AAE, but recognising that in certain areas we would inevitably take more of a back seat. As stated above, that is not to say that we would oppose the core principles underlying the AAE, but, just like many other AAE members, our focus would be particularly strong in one area, i.e. we do wish to continue with the valued level of engagement on research and thought leadership with the other European actuarial bodies, though the AAE.

The one governance change we propose to accommodate this is a cap on the number of members upon which the annual subscriptions are based to a maximum of 5,500, leading to an IFoA subscription of € 110,000. This would have the benefit of better aligning the level of contribution the IFoA pays to the concerns of the IFoA senior volunteers as to the perceived value of membership and would not require a major rewrite of the AAE statutes at this time. It also has the benefit of giving time for the UK's currently uncertain future relationship with the EU to be determined

This would require a simple amendment to Article 18.1 as follows:

Subscriptions will be payable on 1 April each year based on the number of full members in each association on 1 January of that year with a cap of 5,500 such members.

It is not at all our intention to contribute less for the benefit of full membership. As stated above, we do not believe that the IFoA will be able to play a leading role in aspects of the IFoA objectives going forward, and we are open to limiting our formal representation on committees/boards etc. to reflect this.

In coming up with this approach, we have carefully considered other alternatives. For example, purely from an IFoA perspective, we could see that our main objectives could be achieved by the IFoA withdrawing from the AAE and entering into a research and thought leadership Memorandum of Understanding (MOU) with the AAE, should you be willing to do so. To be clear, this is not our preferred approach, but is a likely consequence, if our proposal is not approved.

I recognise that we have not paid our full subscriptions for 2020/21 and as explained when we had our last conference call, we wished to hear from you as to your proposals before making any payment. We are however cognisant of the difficulties all organisations are facing in terms of cash flow, and in that regard, we are happy to pay one twelfth of our subscription each month for the next six months should you formally request us to. This should be sufficient time for us to reach a conclusion. I understand that there may normally be interest charge payable for late contributions, I would respectfully ask that given the current discussions, this is waived.

With kind regards,

A G Stott
Chair of the IFoA Management Board

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