



Chairperson's Update

April 2016



Dear Colleagues,

As I prepare this update, the city of Brussels is slowly returning to normal after the dreadful atrocities of March 22, following which we sent a letter of support to our Belgian colleagues in IA|BE.

ECA2016

I would urge actuaries who have registered for ECA 2016 in Brussels on 21-22 April to attend and there is still time for others to register on www.eca2016.org. You will see that there is a very wide-ranging programme with many interesting speakers, providing great opportunities for actuaries to learn, to share ideas, to network and of course to earn CPD hours, for a very modest charge (especially for members under age 35 who can avail of a reduced rate) .

Committee Activities

The Spring meetings of the Standards, Freedoms and Professionalism (SFPC) Committee and the Insurance Committee took place in Nicosia in early March at the invitation of the Cyprus Actuarial Association who, in addition to hosting the meetings and a very enjoyable dinner, provided a foretaste of summer with hot sunshine for delegates to enjoy during the coffee breaks.



As has become the practice, a seminar was arranged by the host association on the day before the Committee meetings at which AAE speakers presented, and this was very well supported by the members of the Cyprus Actuarial Association.

The two Committee meetings had very full agendas and the minutes are available [here](#). I attended both meetings as an observer and noted in particular good discussions in the SFPC on ESAP 3, and on the revision of the Code of Professional Conduct, and was impressed with the wide range of topics covered in the Insurance Committee meeting. In particular, there were contributions from members of the newly formed Non-Life Insurance group, led by Kartina Thomson, on cyber risk and geo-blocking, and a presentation on a practical training course in Data Science for Actuaries which has been developed by the Institut des Actuaire France. I look forward to the forthcoming meetings in London of the Pensions, Education and Investment and Financial Risk Committees.

European Standard of Actuarial Practice, ESAP 2: Actuarial Function Report under Solvency II was approved on 31 January 2016, and congratulations and thanks are due to the Standards Project Team, and the ESAP 2 Drafting Team led by Dieter Köhnlein, for their work on this. The development of ESAP 3: Actuarial Practice in relation to the ORSA Process under Solvency II is ongoing with the Task Force under the leadership of David Hare aiming to have a further draft for consultation during the summer. Other proposed standards are at an early stage of consideration by the relevant Task Forces. The consultation on the revised Code of Professional Conduct has generated some comments which are being considered by the Code of Conduct Task Force convened by Yvonne Lynch and a revised draft will be prepared following the SFPC discussion in Nicosia.

It is important that all associations submit their views on draft documents on a timely basis and, ideally, that their views are fed into the initial drafting by the associations' representatives on the SFPC, SPT or the relevant Task Force, rather than awaiting the formal consultation process before considering the issue.

The ongoing work of the Insurance Committee includes Solvency II implementation and review, low interest rates/UFR and the role of the actuary. A sub-group led by Esko Kivisaari is also looking at how the AAE can input to IAIS proposals to develop a Global Insurance Capital Standard, and how to interact with the IAA in relation to responses to consultations on this topic.

There has been much activity in the first three months of 2016 in the pensions area with the publication of the results of the first EIOPA Stress tests on IORPs, as well as progress on the revision of the IORP Directive, with ECON agreeing the Parliament position for discussion in the trilogues which are now ongoing. We are pleased to see that, following representations by the AAE, ECON has proposed the inclusion of this additional wording in the Recital:

The actuarial function should be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the activities of the institution for occupational retirement provision, and who are able to demonstrate their relevant experience with applicable professional and other standards.

We will shortly issue a further position paper setting out the AAE view on the key issues which we will issue to the 3 co-legislators, which is likely to support the above proposal and to recommend that similar text be inserted in Article 28 itself.

Publications and responses to consultations

We have recently published our discussion paper on "The ageing of the EU - implications for pensions" which considers the Commission's 2015 Ageing Report and Adequacy Report, and we had a positive response to the paper when we met with officials at DG-EMPL in Brussels in January to present the findings. We are hoping to arrange an AAE seminar on this topic.

Congratulations to the Social Security Sub Committee, chaired by Chris Daykin, and the members of the Task Force who prepared this document, and we look forward to the outputs from the other Task Forces who are currently considering adequacy of pensions and pensioner mortality. We are considering to organize an AAE seminar on this topic.

The AAE has submitted responses on the following

- EIOPA consultation on Good Practices on Communication Tools and Channels for communicating to occupational pension scheme members
- Commission Green Paper on Retail Financial Services
- Joint ESAs consultation on automation in financial advice
- ESMA discussion paper on Benchmark Regulation

The Insurance Committee and the Pensions Committee are currently preparing a response to the EIOPA consultation on a Single Market for Personal Pension Products.

We are endeavouring to formalise the process by which we respond (or not) to consultations or other documents produced by the Commission or the ESAs

- The Officers consider whether AAE should respond, and if the decision is "yes", allocate responsibility to the appropriate Committee/Task Force/individual
- Member associations are notified of the consultation, and whether or not AAE proposes to respond, with details where relevant of how to submit their views to AAE (having regard to the deadline for submission of the response)
- A draft response is prepared and circulated to Member Associations for comment
- A final response is approved by the Officers and submitted.

It is of course open to Member Associations to submit individual responses to a consultation, regardless of whether AAE is making a submission or not. We would be grateful if in such cases the Member Associations would provide us with a copy of their submission for information.

However, we believe that if it is possible to submit an AAE response this will carry greater weight with the Commission or EIOPA than individual responses will do, and is consistent with one of our key objectives which is to influence European policymakers.

Member Associations

I was delighted to attend the 20th Anniversary of the Croatian Actuarial Association in Zagreb last week and to have the opportunity to meet with members of their Management Board and Supervisory Board to discuss issues of mutual interest. The Croatian Actuarial Association has grown to 110 full members in 20 years, of which 85% are women, and has been very active locally in developing insurance legislation under Solvency II, and in promoting the CERA qualification.

The Nominations Committee has recently sought nominations for the position of Vice-Chairperson of AAE for 2016/2017 and I would ask that all Member Associations consider whether they can put forward suitable candidates. As I have previously commented, some Associations have been under-represented in the Officer Board in recent years, and there has been a complete lack of gender diversity amongst the Officers and I hope that these shortcomings can be rectified over the next few years.

The second edition of our EU Newsletter was circulated to Associations in February, and I hope that this has proved helpful in keeping you up to date with the European legislative process. I am delighted that the first edition of The European Actuary under the AAE banner has just been issued and I would urge you to draw this to the attention of your members and others who may be interested.

Other issues

EIOPA has recently announced the membership of their two Stakeholder Groups for the next mandate and we are pleased that there is a strong actuarial representation on both: on the Insurance and Reinsurance Stakeholder Group (IRSG), Annette Olesen has been reappointed and Tony O'Riordan has been appointed whilst in the Occupational Pensions Stakeholder Group (OPSG), Falco Valkenburg and Paul Kelly have been appointed. Congratulation and best wishes to all four, and thanks to the two members who are stepping down having completed two terms – Seamus Creedon (IRSG) and Philip Shier (OPSG).

The AAE is continuing to engage with the IAA with the objective of establishing a more structured relationship between the two organisations, and the Officers had a presentation from Malcolm Campbell, IAA President, at their meeting in Nicosia. We will provide more detail on these proposals when they have been fleshed out a bit further.

The offices of the AAE at Place du Samedi are shared with IA|BE, and this arrangement has worked well over the last 5 years. IA|BE has recently completed negotiations with the landlord for a different set of offices within the same Place du Samedi buildings, which are more suited to their needs, and the IA|BE has agreed to sub-let a part of the new offices to AAE on the same basis as previously with no increase in our costs. I think the new AAE office, once fitted out, will be a significant improvement on the current office, and we hope to move to the new premises in June. We will of course notify all Member Associations of the move nearer the time.

Philip S. Shier

Chairperson

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