

Purpose of standards and criteria to be met

This paper sets out proposals on the purpose of actuarial standards, and the criteria which will need to be met by any proposed standards. A Statement of Objectives for actuarial standards was approved by the General Assembly in Brussels on 1 October 2010 (see Annex 1).

The Statement of Objectives implies a number of different purposes for setting standards, such as serving the public interest, meeting the needs of users, supplementing the statutory measures and assisting actuaries to operate within a common professional framework.

Statement of Purpose for Standard-Setting:

The overriding purpose should be to serve the public interest by ensuring that the users of actuarial services benefit from a high quality of actuarial work. The principal purposes of AAE actuarial standards should be:

- to enhance the quality of delivery of professional services by actuaries;
- to help to ensure that the actuarial work product meets the needs of users of actuarial services;
- to enable actuaries to play an enhanced role in the protection of policyholders and beneficiaries through the quality of the advice given;
- to contribute towards the development of consistency of actuarial practice across the EU; and
- to provide guidance to actuaries on good practice

The agreed governance structure requires the Standards, Freedoms and Professionalism Committee to consider whether any proposed standard meets an agreed set of criteria, in addition to meeting, in full or in part, the AAE's Statement of Purpose for Standard-Setting. These criteria are set out below:

Criteria to be met by a proposed standard

1. The proposed standard relates to actuarial work which has common characteristics across the EU and hence it is more efficient for AAE to develop a model standard than for each member association to develop a standard independently and by applying a harmonised approach stakeholders can be expected to have more confidence in the professional services provided by actuaries.
2. There is no conflict or overlap with an IAA standard, unless there are specific circumstances in EU which justify the differences.
3. The proposed standard does not conflict with the legal or regulatory requirements, or with standards or guidelines set by another regulatory or supervisory body at the European level, to which actuaries are also subject.

4. The proposed standard would serve as a significant point of reference for the actuarial profession in relation to other professions and regulators.

In addition, if one or both of the following additional criteria are met it would be particularly persuasive that the Groupe should develop a standard:

5. Key stakeholders (such as EIOPA and/or the European Commission) are expecting the actuarial profession to develop a standard (or guidelines) and are not intending to issue a standard of this type themselves or by other means.
6. There is a lack of clarity in the legal provisions or regulatory requirements and a standard would assist actuaries to interpret the requirements and to deliver a high quality work product.

October 2011

Annex 1

Statement of Objectives approved by the General Assembly in Brussels on 1 October 2010

In the light of the roles for actuaries envisaged under Solvency II and the framework of measures to be established by the European Commission and EIOPA, AAE considers it essential:

- to contribute effectively to the development of European actuarial standards and guidelines;
- to establish, review and maintain professional and other standards to support the carrying out of actuarial activities in relation to Solvency II, with a view, in the public interest, to promoting high quality actuarial practice and convergence of practice between actuaries in the member states of the EU;
- to ensure that professional and other standards serve the needs of users of actuarial information, in particular the management and Boards of insurance and reinsurance undertakings, and give confidence to financial supervisors, policyholders, shareholders and other stakeholders that actuarial work under Solvency II has been carried out by competent professional persons in a way which is objective, operationally independent, transparent, without conflict of interest, consistent over time and from company to company, regardless of geographical location within the EU;
- to put in place professional and other standards to supplement, at a greater level of technical detail, the Level 1 and Level 2 measures relating to Solvency II, in line with the principles set out therein, bearing in mind that professional standards can be revised more readily than legal measures and updated to accommodate changing circumstances;
- to assist all actuaries within the EU to be able to operate within a common professional framework for Solvency II; and
- to promote and support actuaries in a wide range of roles under Solvency II.