

# **“Fit and Proper”**

An AAE perspective on how to enhance the quality of actuarial services, support AAE’s Full Member Associations, and promote the actuarial profession across Europe

**Authors:** The “Fit and Proper” Task Force

**Date:** Saturday, 3 September 2022

## Contents

Introduction .....	3
Principles .....	5
Premise .....	5
What are “Fit and Proper” requirements and possibility to assess from an European Union regulation perspective .....	6
Summary .....	6
Solvency II .....	6
General requirements to be “Fit and Proper” under Solvency II .....	6
Method .....	7
Services with actuarial character by function .....	7
Solvency and Financial Conditions Reports .....	9
IORP II .....	10
General requirements to be “Fit and Proper” under IORP II .....	10
Method .....	10
GDPR .....	10
SFDR .....	10
PEPP .....	10
“Fit and Proper” requirements from an AAE perspective .....	11
Education syllabus .....	11
CPD Guidelines .....	11
AAE’s Code of Professional Conduct (CoPC) .....	12
Standards .....	12
Gap analysis between AAE’s “Fit and Proper” requirements and EU regulations .....	13
Conclusion .....	13
The main mission of actuaries and the AAE .....	13
Challenges .....	13
Consequences .....	13
Recommendations .....	13
Appendix - Solvency II “Fit and Proper” requirements .....	15
Appendix - IORP II “Fit and Proper” requirements and matching with AAE requirements .....	21
Glossary .....	35

## Introduction

This paper aims to summarise the emerging thinking of the Actuarial Association of Europe (AAE) around the European regulations' notion of "Fit and Proper" and how to best help to facilitate that European societies are provided with reliable and high-quality actuarial services. This topic being highly complex and involving many stakeholders, the AAE is of the view that it is useful to share these ideas with various European stakeholders to facilitate a broader and more conclusive discussion in the remainder of 2022 and in 2023.

The AAE currently has 37 member associations in 36 European countries, representing over 27,000 actuaries. In each country, the requirements for providing actuarial services differ. In some countries, some actuarial services are regulated by law, and some are not regulated. For the services regulated by law, the appointment of a body controlling the provider of the actuarial services can either be delegated to a professional body (i.e., local actuarial association), or it can be kept within the realm of the supervisor or regulator. In some Member States the regulator has legally recognized a local professional actuarial organization (and they are full members of the AAE) as a source of persons who are automatically considered "Fit and Proper" to hold key actuarial functions as the required checks are made by the local professional actuarial organization.

EU regulation reflects this flexible approach by requiring that Member States shall require insurance or reinsurance undertakings (Solvency II, Art. 42 et seqq.) or institutions for occupational retirement provision (IORP II, Art. 22 et seqq.) to ensure that persons who carry out key functions for the undertaking or institution are **"Fit and Proper"**. Insurance and reinsurance undertakings should (SII Delegated Reg. Art. 273, 294) establish a policy on "Fit and Proper" and report publicly on their specific requirements for "Fit and Proper" as well as on their processes for the assessment. It should be noted that this may mean a duplication of ultimate responsibility in some Member States with, on the one hand, supervisory, regulatory, or professional bodies remaining responsible for some actuarial services and, on the other hand, the undertaking or institution assuming quite a comprehensive responsibility for all providers of key functions, including the actuarial function, but also the actuarial components of other key functions under the main prudential systems, namely SII and IORP II. Solvency II and IORP II do not interfere with or overwrite some local supervisors' decisions to recognise a local professional organization (such as a full member of the AAE) as a source of persons who are automatically considered as "Fit and Proper" to provide key actuarial services. It just complements them with an overarching EU-wide requirement for undertakings and institutions to ensure that their key function holders are "Fit and Proper". In those Member States, where the supervisor or regulator recognizes a local professional organization (such as a full member of the AAE) as a source of persons who are automatically considered as "Fit and Proper" to provide key actuarial services, undertakings or institutions may choose to base their "Fit and Proper" assessment on the assessment done by the regulator, supervisor or a professional organisation. This does not lift the responsibility from the undertaking or institution, but it makes it easier for the undertaking or the institution to meet the responsibility. In other Member States, where there is no such official recognition, undertakings and institutions often reference actuarial credentials of the local professional organisation in their public reports. But it appears challenging for undertakings and institutions to be specific on their "Fit and Proper" requirements and assessment processes.

After several years of analysis made by the AAE on legal recognition, reserved activities, and the promotion of the actuarial profession, the AAE concluded that there are major differences between local regulations of AAE's Full Member Associations and promoting local legal recognition and/or reserved activities locally will be very challenging. In fact, there are major differences between local regulations and views that regulators have on a same topic. Furthermore, there are major differences

between FMAs on how to promote the highest standard of actuarial work across Europe and the legal and/or reserved activities of actuaries.

Therefore, the AAE has concluded that the best way forward is to promote Professionalism and the education level of actuaries across Europe to serve high quality actuarial services for the benefit of the public, to protect the profession and the industries in which the profession is active. This also means that the AAE should promote, at a European level, that all persons, regardless of if they are fully qualified members of a Full Member Association of the AAE, who perform actuarial services in a responsible position must also follow the same high-quality standards ensuring that they are "Fit and Proper" at all times when they discharge their professional duties. We call this group "Persons in Actuarial Public Interest Roles".

Consequently, based on Figure 1 below, the best way forward to achieve this goal is to define "Fit and Proper" requirements necessary to pursue an Actuarial Public Interest Role and promote those requirements on a European level within the AAE and locally (if relevant) within the Full Member Associations. Being a Fully Qualified Actuary in one of AAE's Full Member Associations should be sufficient to pursue an Actuarial Public Interest Role (i.e. could be considered automatically as "Fit and Proper"). This is however the outcome of an analysis, not its premise.

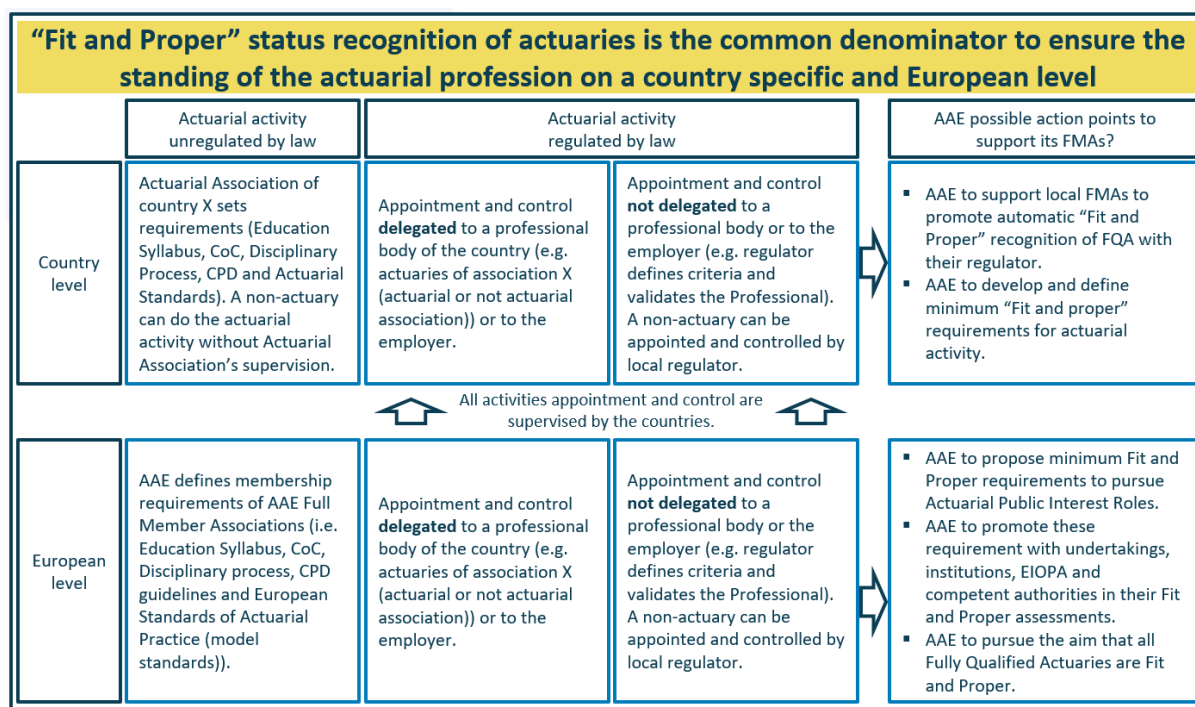


Figure 1: "Fit and Proper" - the common denominator

Therefore, the goal of this paper is to define 1.) what is "Fit and Proper" 2.) whether actuaries are "Fit and Proper" and 3.) how to ensure that any actuarial services is subject to appropriate "Fit and Proper" requirements.

## Principles

1. **No perception of self-serving profession:** the actuarial profession must not be perceived trying to create a monopoly for the profession. The actuarial profession should rather aim to make its members achieve the highest standards and support stakeholders to identify and implement the relevant standards with regards to “Fit and Proper”.
2. **Any particular actuarial service of persons in Actuarial Public Interest Roles for similar undertaking/institutions and underlying business should be subject to the same, appropriate “Fit and Proper” requirements, regardless of the person performing it.** Depending on the actuarial service, the requirements might be different.
3. **These requirements would not include requiring belonging to an actuarial organization.** I.e., the service of the person would trigger the need for compliance with the “Fit and Proper” requirements and not whether the person has a specific membership, unless in some Member States of the EU the local Regulator arranges differently.
4. **Subsidiarity:**
  - a. Local promotion of “Fit and Proper” to be done by Full Member Associations (with, if requested, AAE’s support);
  - b. European promotion of “Fit and Proper” to be done by the AAE as representative of Full Member Associations.

## Premise

1. In a number of Member States of the EU, the regulator, for various reasons, has not chosen to recognize a local professional organization (such as a Full Member Association of the AAE) as the sole source of persons who are eligible to be holder of key functions, such as the Actuarial Function. Instead, the European regulators state that persons who are eligible to be a holder of key functions should be “Fit and Proper” as the directives describe them and as these requirements are transposed into national legislation/regulation. This is also the approach of other European institutions, e.g., EIOPA, that are stakeholders of the AAE. In some Member States, e.g., Spain and Italy, however, the regulator has legally recognized a local professional actuarial institution (and they are Full Member Associations of the AAE) as the sole source of persons who are automatically considered as Fit and Proper to be holder of key actuarial functions under various regulations (e.g. SII and IORP II). This is also coherent with the fact that the European Directives explicitly mention “actuaries” and “independent actuaries” for certain roles.
2. Serving in a Public Interest Role implies that the interpretation of the “Fit and Proper” requirements should be strong and those persons who do not meet the high-quality standards should not be eligible to provide professional services in Actuarial Public Interest Roles.

## What are “Fit and Proper” requirements and possibility to assess from an European Union regulation perspective

### Summary

While "Fit and Proper tests" have been introduced at the beginning of the millennium as supervisory test for those that effectively run a financial undertaking, the 2005 IAIS "SUPERVISORY STANDARD ON FIT AND PROPER REQUIREMENTS AND ASSESSMENT FOR INSURERS" keeps the responsibility with supervisory authority but extends the scope to key functions of insurance undertakings. While the succeeding and in-force Standard of IAIS Insurance Core Principles (ICPs) avoids the notion of "Fit and Proper", it lists a lot of effective “Fit and Proper” requirements, but it requires supervisors to ensure that insurers have effective, “Fit and Proper” key functions, including an actuarial function. So, the ultimate responsibility is shifted to the insurance and reinsurance undertaking. The ICPs are soft law that is applicable for European supervisory systems and regularly assessed by the IMF's Financial Sector Assessment Program (FSAP).

More directly, applicable to EU supervisors and undertakings, Solvency II and IORP II set out “Fit and Proper” requirements. The EU regulators assign responsibility for ensuring "Fit and Proper" to insurance and reinsurance undertakings and institutions for occupational retirement provision – not to supervisory authorities. This is not to be confused with supervisory “Fit and Proper” tests, that remain required in many jurisdictions. In The Netherlands, e.g., those requirements are openly described (<https://www.dnb.nl/en/sector-information/supervision-stages/prior-to-supervision/fit-and-proper-assessments/>). In contrast, the requirements and the compliance process assigned to the insurance and reinsurance undertakings and institutions for occupational retirement provision are not public, even though at least insurance and reinsurance undertakings are asked by direct delegated regulation (SII Delegated Reg. Art. 273, 294) to establish a policy on “Fit and Proper” and report on their specific requirements for “Fit and Proper” as well as on their processes for the assessment in their public Solvency and Financial Condition Report. Consequently, a mapping has been done between the EU regulation requirements with the AAE requirements to support the Task Force's view that AAE Fully Qualified Actuaries can be considered as “Fit” for actuarial tasks that they accept. Nonetheless, it is challenging to do a specific matching as each one is individual and function specific. At the same time, the AAE requirements ensure that all AAE Fully Qualified Actuaries are “Fit and Proper” due to the AAE's broad “Fit and Proper” requirement areas mentioned above; the most compelling requirement perhaps is mentioned in the code of professional conduct: “An actuary must perform specific professional services only if the actuary is competent and appropriately experienced to do so”.

### Solvency II

#### General requirements to be “Fit and Proper” under Solvency II

According to [Art 42](#), Solvency II Directive, persons are:

- **"Fit"** if their professional qualifications, knowledge, and experience are adequate to enable sound and prudent management, and
- **"Proper"** if they are of good repute and integrity.

People are fit for a function if they can fulfil all tasks required for the function in a sound and prudent manner. It is therefore necessary to:

- 1) Identify the actuarial aspects of the services needed to fulfil the different functions in the undertaking;

- 2) Analyse the requirements regarding professional qualifications, knowledge, and experience to be adequately enabled to perform the services with actuarial character in those functions.

The proper requirements are personal and not related to specific functions or tasks. The requirements are summarized in [Art. 43](#), Solvency II Directive:

- 1) Proof of good repute (e.g., by means of extract of a judicial record); and
- 2) Proof of no role in previous bankruptcy or other failure.

#### Method

The current analysis comprises the Solvency II Directive as of 30.6.2021, the Commission delegated regulation as of 15.04.2021, and the Commission implementing regulation as of 06.07.2020. Note that corresponding recitals are not part of this analysis.

To identify services with actuarial character, we have looked for the following strings to match mentioning of actuarial services:

1. actuar
2. distri
3. probabili
4. math
5. estima
6. knowle
7. experienc
8. theor
9. empir
10. expert
11. judgement
12. validat

Moreover, the descriptions of the key functions (Solvency II Directive Art. 44-48; SII Commission delegated regulation Art. 258-272; and references therein) reveal services with actuarial character in a systematic way.

To identify the general requirement to be "Fit" and "Proper", the following have been looked for:

1. Fit;
2. Proper.

in all documents. It makes sense to analyse the directive first, as the delegated and implementation regulation merely adds detail.

"Fit" relates to professional qualifications, knowledge, and experience needed to perform certain services adequately, soundly, and prudently. Therefore, a description of the corresponding qualifications, knowledge, and experience is well suited to detail the "Fit" requirement for each task with actuarial character. It makes sense to associate the services with actuarial character with the functions explicitly mentioned in the Solvency II system of governance: the key and the critical or important functions.

#### Services with actuarial character by function

Actuarial skills are needed for various actuarial tasks in the undertaking:

1. Actuarial role, if any, in the administrative, management or supervisory body (AMSB).

Actuarial role in key functions other than the actuarial function:

2. Actuarial role in the risk management function:
  - a. Model and measure specific risks, especially underwriting and reserving risks;
  - b. Contribute to the aggregation of risk;
  - c. Contribute to the calculation of the Solvency Capital Requirement SCR;
  - d. Contribute to the assessment of the liquidity of insurance liabilities;
  - e. Contribute to the assessment of the sensitivity of technical provisions to interest rates and spreads;
  - f. Contribute to the internal model, if any, concerning:
    - i. Design and implementation,
    - ii. Test and validation,
    - iii. Documentation,
    - iv. Analysis of the performance,
    - v. Information of and suggestions to the administrative, management or supervisory body.
  - g. Contribute to the own risk and solvency assessment, ORSA, especially to the assessment of:
    - i. Overall solvency needs,
    - ii. Compliance with capital requirements and requirements regarding technical provisions,
    - iii. Adequacy of the application of the standard formula,
    - iv. Identification and elaboration of relevant ORSA scenarios.
3. Actuarial role in the compliance function, especially in the control of other actuarial tasks in the undertaking.
4. Actuarial role in the audit function, especially when auditing technical provisions and solvency requirements (supporting the internal audit function but also the auditor companies).

Services of the actuarial function:

5. Actuarial function to effectively:
  - a. Coordinate the calculation of technical provisions;
  - b. Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
  - c. Assess the sufficiency and quality of the data used in the calculation of technical provisions;
  - d. Compare best estimates against experience;
  - e. Inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
  - f. Oversee the calculation of technical provisions in the cases set out in Article 82;
  - g. Express an opinion on the overall underwriting policy; and
  - h. Express an opinion on the adequacy of reinsurance arrangements.
  - i. Contribute to the effective implementation of the risk-management system referred to in Article 44, in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in Chapter VI, Sections 4 and 5, and to the assessment referred to in Article 45.

Moreover, services with actuarial character may be contained in critical or important functions other than the key functions mentioned above. The fact that these functions are determined by insurance and reinsurance undertaking, an additional step is necessary to identify more common critical and



important functions (e.g. pricing, underwriting). More detail can be found in EIOPA's Final Report on Public Consultation No. 14/017 on Guidelines on system of governance, e.g., paragraph 2.290 and seq. The AAE may decide to do this for some selected potential critical or important function.

#### Solvency and Financial Conditions Reports

Insurance and reinsurance undertakings need to describe their system of governance including the “Fit and Proper” requirement as part of their Solvency and Financial Condition Report, SFCR, per SII Commission delegated regulation, Article 294, Paragraph 2:

"The solvency and financial condition report shall include all of the following information regarding the “Fit and Proper” policy of the insurance or reinsurance undertaking:

- a) A description of the undertaking's specific requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key functions; and
- b) A description of the undertaking's process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions."

The Task Force reviewed a non-representative sample of the SFCR of insurance companies across Europe and observed that the SFCR usually refers to internal policies, guidelines and reports which are not publicly available.

## IORP II

### General requirements to be “Fit and Proper” under IORP II

According to [Art 22](#), IORP II Directive, persons are:

- **"Fit":**
  - For persons who effectively run the IORP, this means their qualifications, knowledge and experience are collectively adequate to enable them to ensure a sound and prudent management of the IORP;
  - For persons who carry out the actuarial or internal audit key functions this means their professional qualifications, knowledge and experience are adequate to properly carry out their key functions;
  - For persons who carry out other key functions this means their qualifications, knowledge and experience are adequate to properly carry out their key functions.
- **"Proper":**
  - They are of good repute and integrity.

Furthermore, the directive specifies that Member States shall ensure that the competent authorities are able to assess whether the persons who effectively run the IORP or carry out key functions fulfil the requirements of the directive.

## Method

The Task Force analysed the IORP II Directive as of 14.12.2016. Table 1: IORP II regulation in appendix shows the different references to actuarial services in the IORP II regulation per functions and activity. Table 2: IORP II Fit & Proper requirements then matches the IORP II requirements with the AAE requirements (e.g. education, CPD, CoC, disciplinary, etc.).

## GDPR

GDPR, as far as the Task Force is aware of and based on the legislation and interview with experts doesn't define “Fit and Proper” requirements. Nonetheless, if a Chief Data Officer is a Board Member, then the “Fit and Proper” requirements for Board Members apply. This dimension could be an interesting future discussion point with European regulators.

## SFDR

SFDR, as far as the Task Force is aware of and based on the legislation and interview with experts doesn't define “Fit and Proper” requirements.

## PEPP

PEPP, as far as the Task Force is aware of and based on the legislation and interview with experts doesn't define “Fit and Proper” requirements.

## “Fit and Proper” requirements from an AAE perspective

AAE’s FMAs must apply (minimum requirement) the following AAE requirements:

- Core Education Syllabus: defines the minimum education requirements to be an FQA;
- The CPD guidelines (as of 01.01.2024): defines requirements for FQA to develop their skills over time;
- Code of Professional Conduct: defines the principles of conduct for FQAs when providing actuarial services.

In case an FQA doesn’t comply with those requirements, the FMAs must have a disciplinary process in place defining appropriate sanctions.

### Education syllabus

The [AAE Core Education Syllabus](#) consists of three sections:

1. Basic actuarial education with nine separate learning areas;
2. Advanced skills;
3. Necessary prerequisites.

Each learning area in basic actuarial education contains a number of topics and sub-topics. In addition to the nine basic learning areas and the necessary mathematical prerequisite actuarial associations need to include a stage for advanced skills. Included in this stage are subjects and items which are needed for an actuary to demonstrate higher order skills of analysis, evaluation and creation in a certain area of actuarial work. Each actuary is expected to have studied to the appropriate level in at least one area of advanced knowledge.

The AAE Core Education Syllabus defines a minimum requirement for its FMAs which means that the basic education requirements across AAE’s FMAs have a significant degree of homogeneity. Despite of this basic homogeneity, the advanced skills can be chosen selectively by the FQA and it is impossible for an FQA to follow the evolution of the actuarial field in all sub-segments at the same level of depth. This would not challenge “Fit and Proper” requirements as all FQAs should attain the same level of basic expertise in all main segments while they would specialize in a specific sub-segment (e.g. life insurance or non-life insurance).

### CPD Guidelines

The CPD Guidelines (in force as of 01.01.2024) are important because after achieving full qualification as required by an FMA of the AAE, further maintenance and development of that qualification requires continuing learning because the skills and knowledge required by FQA are likely to change over time, as well as being impacted by changes to a specific actuary’s job/role. In the current rapidly changing environment, it is the personal responsibility of actuaries to ensure that they remain competent in their area of work through CPD, which is a clear requirement of the Code of Professional Conduct. Furthermore, the expansion of the profession into new areas of practice means that actuaries choosing that expansion route need to develop further their (technical) knowledge, personal and professional skills, and competencies in wider fields.

The [CPD Guidelines](#) are composed of the following elements:

- Applicability: It is mandatory for all Members (i.e. Qualifying Actuaries) under the Mutual Recognition Agreement (“Members”). It makes clear the circumstances in which non-compliance is permitted as an exception (e.g. retired Members of an FMA may be exempt from fulfilling CPD requirements).

- Content: Members are encouraged to consider their specific development requirements in their respective area of work and select CPD activities accordingly.
- Documentation: it recommends that Members document their CPD activities. Good practice for documentation could include the following:
  - Analysis of key competences that the member perceives requiring further development;
  - The plan for CPD activities;
  - Record of specific CPD activities carried out;
  - Record of time spent on CPD activities;
  - Analysis of the extent to which key competences have been developed.
- Assessment: Members are required to either:
  - Self-Assess the outcomes from the CPD activities in the context of the development plan and preferably have their CPD activities and the outcomes reviewed by a third party; or
  - Complete a specified minimum number of hours of CPD activity (at least 45 hours over a three year period or the equivalent number of training credits).
- Monitoring: It includes a process to be able to monitor and document Members' adherence to the CPD scheme.

### AAE's Code of Professional Conduct (CoPC)

The AAE [CoPC](#) is a model code and as such, it is not binding on any actuary. The Statutes of the AAE require Full Member associations to have a Code of Conduct that reflects at least the requirements of the AAE's CoPC. The AAE CoPC is based on five principles:

- Integrity: an actuary must act honestly and with the highest standards of integrity.
- Competence and Care: an actuary must perform professional services competently and with care.
- Compliance: an actuary must comply with all relevant legal, regulatory and professional requirements.
- Impartiality: an actuary must not allow bias, conflict of interest or the undue influence of others to override professional judgement.
- Communication: an actuary must communicate in an appropriate manner and meet all applicable reporting standards.

And in particular under the principle of "Competence and Care":

- B2: An actuary must perform specific professional services only if:
  - The actuary is competent and appropriately experienced to do so, or
  - The actuary is acting on the advice of an individual who has the appropriate level of relevant knowledge and skill and the principal is aware that this is the case, or
  - The actuary is acting under the direct supervision of another person who is taking professional responsibility for the work.

In case an FQA is not compliant with an AAE's FMA "Fit and Proper" requirements, the FMA must have a disciplinary process in place with appropriate sanctions (e.g. losing the actuarial title).

### Standards

The AAE publishes model standards that FMAs can decide to implement or can adapt to the specificities of their country. An AAE model standard must not be applied by FMAs (i.e. optional).

## Gap analysis between AAE's "Fit and Proper" requirements and EU regulations

The AAE education requirements are minimum ones, thus they guarantee that FMAs' basic education requirements are homogeneous while each FMA's concrete education requirements may exceed this minimum level in any particular area. Thus an FQA of an FMA may be "Fit" in a particular field but not for the whole range of actuarial services (e.g. life insurance versus non-life insurance). Furthermore, given AAE's requirements, it may be assumed that FQAs are by the virtue of the AAE's Code of Professional Conduct "Fit" and in particular with reference to principle B2. Nonetheless, this would not be sufficient to confirm the "Fit" requirement as self-declaration without checks may not be accepted by regulators and undertakings. In addition, the "Proper" dimension is not checked on a regular basis and this information would need to be made available to the regulator and undertakings.

## Conclusion

### The main mission of actuaries and the AAE

- The AAE and its Full Member Associations are committed to enhancing and maintaining the quality of actuarial services by strengthening the "Fit and Proper" requirements against all persons who provide actuarial services in an Actuarial Public Interest Role thereby serving the public good.

### Challenges

- AAE FQA are not fully checked for the "Proper" part on a continuous basis. While it may be assumed that they are by the virtue of the AAE's Code of Professional Conduct, this would not be sufficient to confirm the proper quality. In case the AAE would aim to provide a service confirming the "Fit and Proper" status, the corresponding information would need to be made available.
- There is a difference in education level requirements across Europe as the AAE education requirements are minimum ones, that are exceeded by some Full Member Associations.
- FQA don't have the same background due to their selected advanced skills. Consequently, it is important that the actuarial services which are provided by an FQA are in line with her selected advanced skills.
- Even if an FQA meets all "Fit and Proper" requirements as set by the AAE or an AAE FMA, she might still not be a suitable person for a specific APIR role due to personal conflicts of interests or due to not being aligned with the undertaking's goals and values. Consequently, a self-assessment is always required.

### Consequences

- If the AAE wants to promote the "Fit and Proper" status of AAE Fully Qualified Actuaries, then it should enable the tracking of whether Fully Qualified Actuaries are "Proper" or not. This can also be offered as a service to the Full Member Associations (see before).
- Various levels of entry education and continuous professional development may create a challenge to the AAE in promoting the "Fit" element across Europe as some regulators and countries will challenge that some AAE Fully Qualified Actuaries with different education levels could access position and be recognized as "Fit and Proper" at a different qualification level. This can be problematic and create legal challenges in the long term.

### Recommendations

1. Facilitate that Premiss 1 is recognised and accepted in the AAE.
2. The AAE should ensure that Fully Qualified Actuaries that are members of Full Member Associations of the AAE would meet the "Fit and Proper" requirements for some or all Actuarial Public Interest Roles to the maximal extent possible, or that they can easily meet

them (see before). With regards to “Proper”, the AAE should check with the FMAs whether local processes are already in place or whether there is a need to develop local or a European solutions to support Fully Qualified Actuaries.

3. Based on point 2., the AAE Board should decide on how to harmonize the various dimensions across Europe to ensure an near automatic “Fit and Proper” recognition. The first step would be to make a carefully mapping and the second step would be to ensure consistency of “Fit and Proper” requirements with standards in the following five areas:
  - a. Entry education standards;
  - b. Continuous education standards;
  - c. Code of Professional Conduct standards;
  - d. Discipline standards;
  - e. Practice standards.
4. The AAE should advise institutions for occupational retirement provision, insurance and reinsurance undertakings, and European institutions about the minimum level of the “Fit and Proper” requirements, as deemed sensible by the AAE – at least for Persons in Actuarial Public Interest Roles.
5. The AAE should convince associations of institutions for occupational retirement provision, associations of insurance and reinsurance undertakings, and European institutions to recognise and apply AAE's “Fit and Proper” requirements for Actuarial Public Interest Roles *mutatis mutandis*.
6. The AAE and its FMAs should promote that the term "Actuary" remains reserved for FQA of Full Member Associations of the AAE. However, the “Fit and Proper” requirements should apply to both “actuaries” and “non-actuaries” who provide similar services as actuaries do.

## Appendix - Solvency II “Fit and Proper” requirements

Regulation	Classification	Text
SII Dir	Actuarial Function	<p><a href="#">Article 48</a>  <a href="#">Actuarial function</a></p> <p>1. Insurance and reinsurance undertakings shall provide for an effective actuarial function to:</p> <ul style="list-style-type: none"> <li>(a) coordinate the calculation of technical provisions;</li> <li>(b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;</li> <li>(c) assess the sufficiency and quality of the data used in the calculation of technical provisions;</li> <li>(d) compare best estimates against experience;</li> <li>(e) inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;</li> <li>(f) oversee the calculation of technical provisions in the cases set out in Article 82;</li> <li>(g) express an opinion on the overall underwriting policy;</li> <li>(h) express an opinion on the adequacy of reinsurance arrangements; and</li> <li>(i) contribute to the effective implementation of the risk-management system referred to in Article 44, in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in Chapter VI, Sections 4 and 5, and to the assessment referred to in Article 45.</li> </ul> <p>2. The actuarial function shall 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 business of the insurance or reinsurance undertaking, and who are able to demonstrate their relevant experience with applicable professional and other standards.</p>
SII Dir	Supervising Actuaries	<p><a href="#">Article 68</a>  <a href="#">Exchange of information with other authorities</a></p> <p><i>Par 2 lit (c)</i></p> <p>2. Articles 64 to 67 shall not preclude Member States from authorising exchanges of information between the supervisory authorities and any of the following:</p> <ul style="list-style-type: none"> <li>(c) independent actuaries of insurance undertakings or reinsurance undertakings carrying out legal supervision of those undertakings and the bodies responsible for overseeing such actuaries.</li> </ul>

SII Dir	Actuarial methods in calculating technical provisions	<p><a href="#">Article 77</a> <b>Calculation of technical provisions</b></p> <p>1. The value of technical provisions shall be equal to the sum of a best estimate and a risk margin as set out in paragraphs 2 and 3.</p> <p>2. The best estimate shall correspond to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.</p> <p>The calculation of the best estimate shall be based upon up-to-date and credible information and realistic assumptions and be performed using <b>adequate, applicable and relevant actuarial and statistical methods</b>.</p>
SII Dir	Quality of technical provisions	<p><a href="#">Article 82</a> <b>Data quality and application of approximations, including case-by-case approaches, for technical provisions</b></p> <p>Member States shall ensure that insurance and reinsurance undertakings have internal processes and procedures in place to ensure the appropriateness, completeness and accuracy of the data used in the calculation of their technical provisions.</p> <p>Where, in specific circumstances, insurance and reinsurance undertakings have insufficient data of appropriate quality to <b>apply a reliable actuarial method</b> to a set or subset of their insurance and reinsurance obligations, or amounts recoverable from reinsurance contracts and special purpose vehicles, appropriate approximations, including case-by-case approaches, may be used in the calculation of the best estimate.</p>
SII Dir	Comparison against experience	<p><a href="#">Article 83</a> <b>Comparison against experience</b></p> <p>Insurance and reinsurance undertakings shall have processes and procedures in place to ensure that best estimates, and the assumptions underlying the calculation of best estimates, are regularly compared against experience.</p> <p>Where the comparison identifies systematic deviation between experience and the best estimate calculations of insurance or reinsurance undertakings, the undertaking concerned <b>shall make appropriate adjustments to the actuarial methods being used and/or the assumptions being made</b>.</p>
SII Dir	Statistical Quality (Internal model)	<p><a href="#">Article 121</a> <b>Statistical quality standards</b></p> <p>1. The internal model, and in <b>particular the calculation of the probability distribution forecast</b> underlying it, shall comply with the criteria set out in paragraphs 2 to 9.</p> <p>2. The methods used to calculate the <b>probability distribution forecast shall be based on adequate, applicable and relevant actuarial and statistical techniques</b> and shall be consistent with the methods used to calculate technical provisions.</p> <p>Insurance and reinsurance undertakings shall be <b>able to justify the assumptions</b> underlying their internal model to the supervisory authorities.</p> <p>3. <b>Data used for the internal model</b> shall be accurate, complete and appropriate.</p> <p>Insurance and reinsurance undertakings shall update the data sets used in the calculation of the probability distribution forecast at least annually.</p> <p>4. No particular method for the calculation of the probability distribution forecast shall be prescribed.</p>



		<p>Regardless of the calculation method chosen, the ability of the internal model to rank risk shall be sufficient to ensure that it is widely used in and plays an important role in the system of governance of insurance and reinsurance undertakings, in particular their risk-management system and decision-making processes, and capital allocation in accordance with Article 120. The internal model shall cover all of the material risks to which insurance and reinsurance undertakings are exposed. Internal models shall cover at least the risks set out in Article 101(4).</p> <p>5. As regards diversification effects, insurance and reinsurance undertakings may take account in their internal model of dependencies within and across risk categories, provided that supervisory authorities are satisfied that the system used for measuring those diversification effects is adequate.</p> <p>6. Insurance and reinsurance undertakings may take full account of the effect of risk-mitigation techniques in their internal model, as long as credit risk and other risks arising from the use of risk-mitigation techniques are properly reflected in the internal model.</p> <p>7. Insurance and reinsurance undertakings shall accurately assess the particular risks associated with financial guarantees and any contractual options in their internal model, where material. They shall also assess the risks associated with both policy holder options and contractual options for insurance and reinsurance undertakings. For that purpose, they shall take account of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.</p> <p>8. In their internal model, insurance and reinsurance undertakings may take account of future management actions that they would reasonably expect to carry out in specific circumstances.</p> <p>In the case set out in the first subparagraph, the undertaking concerned shall make allowance for the time necessary to implement such actions.</p> <p>9. In their internal model, insurance and reinsurance undertakings shall take account of all payments to policy holders and beneficiaries which they expect to make, whether or not those payments are contractually guaranteed.</p>
SII Dir	Calibration on Quality (Internal model)	<p><a href="#">Article 122</a> <a href="#">Calibration standards</a></p> <p>1. Insurance and reinsurance undertakings may use a different time period or risk measure than that set out in Article 101(3) for internal modelling purposes as long as the outputs of the internal model can be used by those undertakings to calculate the Solvency Capital Requirement in a manner that provides policy holders and beneficiaries with a level of protection equivalent to that set out in Article 101.</p> <p>2. Where practicable, insurance and reinsurance undertakings shall derive the Solvency Capital Requirement directly from the probability distribution forecast generated by the internal model of those undertakings, using the Value-at-Risk measure set out in Article 101(3).</p> <p>3. Where insurance and reinsurance undertakings cannot derive the Solvency Capital Requirement directly from the probability distribution forecast generated by the internal model, the supervisory authorities may allow approximations to be used in the process to calculate the Solvency Capital Requirement, as long as those undertakings can demonstrate to the supervisory authorities that policy holders are provided with a level of protection equivalent to that provided for in Article 101.</p>

		<p>4. Supervisory authorities may require insurance and reinsurance undertakings to run their internal model on relevant benchmark portfolios and using assumptions based on external rather than internal data in order to verify the calibration of the internal model and to check that its specification is in line with generally accepted market practice.</p>
SII Dir	Validation Quality (Internal model)	<p><a href="#">Article 124</a>  <b>Validation standards</b>  Insurance and reinsurance undertakings shall have a regular cycle of model validation which includes monitoring the performance of the internal model, reviewing the ongoing appropriateness of its specification, and testing its results against experience.  The model validation process shall include an effective statistical process for validating the internal model which enables the insurance and reinsurance undertakings to demonstrate to their supervisory authorities that the resulting capital requirements are appropriate.  The statistical methods applied shall test the appropriateness of the probability distribution forecast compared not only to loss experience but also to all material new data and information relating thereto.  The model validation process shall include an analysis of the stability of the internal model and in particular the testing of the sensitivity of the results of the internal model to changes in key underlying assumptions. It shall also include an assessment of the accuracy, completeness and appropriateness of the data used by the internal model.</p>
SII Dir	Documentation Quality (Internal model)	<p><a href="#">Article 125</a>  <b>Documentation standards</b>  Insurance and reinsurance undertakings shall document the design and operational details of their internal model.  The documentation shall demonstrate compliance with Articles 120 to 124.  The documentation shall provide a detailed outline of the theory, assumptions, and mathematical and empirical bases underlying the internal model.  The documentation shall indicate any circumstances under which the internal model does not work effectively.  Insurance and reinsurance undertakings shall document all major changes to their internal model, as set out in Article 115.</p>
SII Dir	Compliance with national provisions re actuarial principles	<p><a href="#">Article 182</a>  <b>Life insurance</b>  Member States shall not require the prior approval or systematic notification of general and special policy conditions, scales of premiums, technical bases used in particular for calculating scales of premiums and technical provisions or forms and other printed documents which a life insurance undertaking intends to use in its dealings with policy holders.  However, the home Member State may, for the sole purpose of verifying compliance with national provisions concerning actuarial principles, require systematic communication of the technical bases used in particular for calculating scales of premiums and technical provisions. Those requirements shall not constitute a prior condition for an insurance undertaking to pursue business.</p>
SII Dir	Sufficient premium	<p><a href="#">Article 206</a>  <b>Health insurance as an alternative to social security</b></p>

	s where health insurance is an alternative to social security	<p>1. Member States in which contracts covering the risks under class 2 in Part A of Annex I may serve as a partial or complete alternative to health cover provided by the statutory social security system may require that:</p> <p>(a) those contracts comply with the specific legal provisions adopted by that Member State to protect the general good in that class of insurance;</p> <p>(b) the general and special conditions of that insurance be communicated to the supervisory authorities of that Member State before use.</p> <p>2. Member States may require that the health insurance system referred to in paragraph 1 be operated on a technical basis similar to that of life insurance where all the following conditions are fulfilled:</p> <p>(a) the premiums paid are calculated on the basis of sickness tables and other statistical data relevant to the Member State in which the risk is situated in accordance with the mathematical methods used in insurance;</p> <p>(b) a reserve is set up for increasing age;</p> <p>(c) the insurer may cancel the contract only within a fixed period determined by the Member State in which the risk is situated;</p> <p>(d) the contract provides that premiums may be increased or payments reduced, even for current contracts;</p> <p>(e) the contract provides that the policy holders may change their existing contract into a new contract complying with paragraph 1, offered by the same insurance undertaking or the same branch and taking account of their acquired rights.</p> <p>In the case referred to in point (e) of the first subparagraph, account shall be taken of the reserve for increasing age and a new medical examination may be required only for increased cover.</p> <p>The supervisory authorities of the Member State concerned shall publish the sickness tables and other relevant statistical data referred to in point (a) of the first subparagraph and transmit them to the supervisory authorities of the home Member State.</p> <p>The premiums must be sufficient, on reasonable actuarial assumptions, for insurance undertakings to be able to meet all their commitments having regard to all aspects of their financial situation. The home Member State shall require the technical basis for the calculation of premiums to be communicated to its supervisory authorities before the product is circulated. The third and fourth subparagraphs shall also apply where existing contracts are modified.</p>
SII Dir	Sufficient premiums for life insurance	<p><a href="#">Article 209</a></p> <p><b>Premiums for new business</b></p> <p>Premiums for new business shall be sufficient, on reasonable actuarial assumptions, to enable life insurance undertakings to meet all their commitments and, in particular, to establish adequate technical provisions. For that purpose, all aspects of the financial situation of a life insurance undertaking may be taken into account, without the input from resources other than premiums and income earned thereon being systematic and</p>

		permanent in a way that it may jeopardise the solvency of the undertaking concerned in the long term.
--	--	---

## Appendix - IORP II “Fit and Proper” requirements and matching with AAE requirements

The table below shows the different references to actuarial services in the IORP II regulation per functions and activity.

IORP II regulations	Prudent calculation of technical provisions	Actuarial function	Board member/trustee/persons who effectively run the IORP	Risk management function	Internal audit function
<b>Recital 40</b>	Technical provisions should be calculated on the basis of <b>recognized actuarial methods</b> and <b>certified by an actuary</b> or by another specialist in that field.	The actuarial function should be carried out by persons who have <b>knowledge of actuarial and financial mathematics commensurate with the size, nature, scale and complexity of the risks inherent in the activities of the IORP, and who are able to demonstrate their relevant experience with applicable professional qualifications or other standards.</b>	For persons who effectively run the IORP, this means their qualifications, <b>knowledge and experience are collectively adequate</b> to enable them to ensure a <b>sound and prudent management</b> of the IORP		
<b>Article 13.4, technical provisions</b>	The calculation of the technical provisions shall be <b>executed and certified by an actuary</b> or by another specialist in that field, including an auditor, where permitted by national law, on the				

	basis of actuarial methods recognized by the competent authorities of the home Member State.				
<b>Article 13.4.a, technical provisions</b>	The minimum amount of the technical provisions shall be calculated by a sufficiently prudent actuarial valuation, taking account of all commitments for benefits and for contributions in accordance with the pension arrangements of the IORP.				
<b>Article 13.4.a, technical provisions</b>	The economic and actuarial assumptions chosen for the valuation of the liabilities shall also be chosen prudently taking account, if applicable, of an appropriate margin for adverse deviation.				
<b>Article 22.1.a.(i), requirements for fit and proper management</b>			For persons who effectively run the IORP, this means their qualifications, knowledge and experience are collectively adequate to enable them to ensure a		

			sound and prudent management of the IORP		
<b>Article 22.1.a.(ii), requirements for fit and proper management</b>		For persons who carry out the actuarial or internal audit key functions this means their professional qualifications, knowledge and experience are adequate to properly carry out their key functions.			For persons who carry out the actuarial or internal audit key functions this means their professional qualifications, knowledge and experience are adequate to properly carry out their key functions.
<b>Article 22.1.a.(iii), requirements for fit and proper management</b>				For persons who carry out other key functions this means their qualifications, knowledge and experience are adequate to properly carry out their key functions	
<b>Article 22.1.b., requirements for fit and proper management</b>		The requirement to be proper: they are of good repute and integrity.	The requirement to be proper: they are of good repute and integrity.	The requirement to be proper: they are of good repute and integrity.	The requirement to be proper: they are of good repute and integrity.
<b>Article 24.1, general provisions</b>		IORPs shall enable the holders of key functions to undertake their duties effectively in an objective, fair and independent manner.		IORPs shall enable the holders of key functions to undertake their duties effectively in an objective, fair and independent manner.	IORPs shall enable the holders of key functions to undertake their duties effectively in an objective, fair and independent manner.

<b>Article 24.2, general provisions</b>		IORPs may allow a single person or organisational unit to carry out more than one key function, with the exception of the internal audit function referred to in Article 26, which shall be independent from the other key functions.		IORPs may allow a single person or organisational unit to carry out more than one key function, with the exception of the internal audit function referred to in Article 26, which shall be independent from the other key functions.	
<b>Article 24.3, general provisions</b>		The single person or organisational unit carrying out the key function shall be different from the one carrying out a similar key function in the sponsoring undertaking.		The single person or organisational unit carrying out the key function shall be different from the one carrying out a similar key function in the sponsoring undertaking.	The single person or organisational unit carrying out the key function shall be different from the one carrying out a similar key function in the sponsoring undertaking.
<b>Article 24.3, general provisions</b>		Member States may, taking into account the size, nature, scale and complexity of the activities of the IORP, allow the IORP to carry out key functions through the same single person or organisational unit as in the sponsoring undertaking, provided that the IORP explains how it prevents or manages any conflicts of		Member States may, taking into account the size, nature, scale and complexity of the activities of the IORP, allow the IORP to carry out key functions through the same single person or organisational unit as in the sponsoring undertaking, provided that the IORP explains how it prevents or manages any conflicts of	Member States may, taking into account the size, nature, scale and complexity of the activities of the IORP, allow the IORP to carry out key functions through the same single person or organisational unit as in the sponsoring undertaking, provided that the IORP explains how it prevents or manages any conflicts of



		interest with the sponsoring undertaking.		interest with the sponsoring undertaking.	interest with the sponsoring undertaking.
<b>Article 24.4, general provisions</b>		The holders of a key function shall report any material findings and recommendations in the area of their responsibility to the administrative, management or supervisory body of the IORP which shall determine what actions are to be taken.		The holders of a key function shall report any material findings and recommendations in the area of their responsibility to the administrative, management or supervisory body of the IORP which shall determine what actions are to be taken.	The holders of a key function shall report any material findings and recommendations in the area of their responsibility to the administrative, management or supervisory body of the IORP which shall determine what actions are to be taken.
<b>Article 24.5, general provisions</b>		Without prejudice to the privilege against self-incrimination, the holder of a key function shall inform the competent authority of the IORP if the administrative, management or supervisory body of the IORP does not take appropriate and timely remedial action in the following cases:		Without prejudice to the privilege against self-incrimination, the holder of a key function shall inform the competent authority of the IORP if the administrative, management or supervisory body of the IORP does not take appropriate and timely remedial action in the following cases:	Without prejudice to the privilege against self-incrimination, the holder of a key function shall inform the competent authority of the IORP if the administrative, management or supervisory body of the IORP does not take appropriate and timely remedial action in the following cases:
<b>Article 25.2, risk management</b>				The risk-management system shall cover, in a manner that is proportionate to the size and internal organisation of IORPs, as well as to the	

				size, nature, scale and complexity of their activities, risks which can occur in IORPs or in undertakings to which tasks or activities of an IORP have been outsourced, at least in the following areas, where applicable: (a) underwriting and reserving; (b) asset–liability management; (c) investment, in particular derivatives, securitisations and similar commitments; (d) liquidity and concentration risk management; (e) operational risk management; (f) insurance and other risk-mitigation techniques; (g) environmental, social and governance risks relating to the investment portfolio and the management thereof.	
<b>Article 25.3, risk management</b>				Where, in accordance with the conditions of the pension scheme, members and	

				beneficiaries bear risks, the risk management system shall also consider those risks from the perspective of members and beneficiaries.	
<b>Article 26, internal audit function</b>					The internal audit function shall include an evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance, including, where applicable, outsourced activities.
<b>Article 27.1, actuarial function</b>		Where an IORP itself provides cover against biometric risks or guarantees either an investment performance or a given level of benefits, Member States shall require that IORP to provide for an effective actuarial function to: (a) coordinate and oversee the calculation of technical provisions; (b) assess the appropriateness of the methodologies and			

		<p>underlying models used in the calculation of technical provisions and the assumptions made for this purpose; (c) assess the sufficiency and quality of the data used in the calculation of technical provisions; (d) compare the assumptions underlying the calculation of the technical provisions with the experience; (e) inform the administrative, management or supervisory body of the IORP of the reliability and adequacy of the calculation of technical provisions; (f) express an opinion on the overall underwriting policy in the event of the IORP having such a policy; (g) express an opinion on the adequacy of insurance arrangements in the event of the IORP having such arrangements; and (h) contribute to the effective implementation</p>			
--	--	---	--	--	--

		of the risk management system.			
<b>Article 27.2, actuarial function</b>		Member States shall require IORPs to designate at least one independent person, inside or outside the IORP, who is responsible for the actuarial function.			
<b>Article 55.3.c, exchange of information between authorities</b>		Articles 52 and 53 shall not preclude Member States from authorising exchanges of information between the competent authorities and any of the following: independent actuaries of IORPs carrying out supervision of those IORPs and the bodies responsible for overseeing such actuaries.			

Table 1: IORP II regulation

Table 2 below lists the requirements derived from the IORP II regulation (i.e. text highlighted in yellow in regulation Table). In the white rows of the table you will find the requirements and in the grey rows, a matching with AAE requirements.

<b>Classification (Fit or Proper)</b>	<b>Prudent calculation of technical provisions</b>	<b>Actuarial function</b>	<b>Board member/trustee/persons who effectively run the IORP</b>	<b>Risk management function</b>	<b>Internal audit function</b>
<b>Fit</b>	Knowledge of recognised actuarial methods for the valuation of pension liabilities.	Knowledge of recognised actuarial methods for the valuation of pension liabilities;	Knowledge and experience are collectively adequate to enable them to ensure a sound and prudent management of the IORP.		
	Education syllabus; continuous professional development; Principle B of the code of professional conduct.	Education syllabus; continuous professional development; Principle B of the code of professional conduct.	Based on the definition, an actuary in the board is almost a must given this requirement. This actuary must then have good knowledge of all the fields that apply to the actuarial function in order to be able to bring countervailing power in the management of the IORP. The actuary will fulfill these requirements due to the education syllabus, continuous professional development and code of professional conduct (principle B).		

<b>Fit</b>	Professional judgement (applying "sufficiently prudent actuarial valuation"; Choosing economic and actuarial assumptions; appropriate margin for adverse deviation).	Professional judgement (applying proportionality; applying "sufficiently prudent"; choosing economic and actuarial assumptions; whistleblowing).		Professional judgement (applying proportionality; applying "sufficiently prudent"; choosing economic and actuarial assumptions; whistleblowing);	Professional judgement (adequacy and effectiveness of the internal control system and other elements of the system of governance).
	Code of conduct (principles A, B and C). European Actuarial Note on professional judgement.	Code of conduct (principles A, B and C). European Actuarial Note on professional judgement.		Code of conduct (principles A, B and C). European Actuarial Note on professional judgement.	Code of conduct (principles A, B and C). Code of conduct (principles A, B and C). European Actuarial Note on professional judgement.
<b>Fit</b>	Knowledge of pension arrangements in the jurisdiction. A minimum of two years of experience with pension arrangements in the jurisdiction.	Knowledge of pension arrangements in the jurisdiction. A minimum of two years of experience with pension arrangements in the jurisdiction.  Actuary with relevant experience and applicable professional qualifications or other standards. Proven continuous professional development in this field (an actuary needs to be up-to-date with all relevant professional developments and new or updated professional standards)			

	Education syllabus; continuous professional development; Principles B and C of the code of professional conduct.	Education syllabus; continuous professional development; Principles B and C of the code of professional conduct.			
<b>Fit</b>				Good notion of needs for consumer protection, (intergenerational) fairness (providing member and beneficiary perspective).	
				The vision and missions of actuarial association are to contribute to the greater good. This is not specifically handled in AAE's governance documents.	
<b>Fit</b>					Good knowledge of internal control and governance systems. Good knowledge of control and governance systems of outsourcing partners.
					Education syllabus; continuous professional development; Principles B and C of the code of professional conduct.
<b>Fit</b>		Good understanding of: (a) coordinate and oversee the calculation of technical provisions; (b) assess the appropriateness of the methodologies and		Good understanding of: (a) underwriting and reserving; (b) asset–liability management; (c) investment, in particular derivatives, securitisations	



		underlying models used in the calculation of technical provisions and the assumptions made for this purpose; (c) assess the sufficiency and quality of the data used in the calculation of technical provisions; (d) compare the assumptions underlying the calculation of the technical provisions with the experience; (e) inform the administrative, management or supervisory body of the IORP of the reliability and adequacy of the calculation of technical provisions; (f) express an opinion on the overall underwriting policy in the event of the IORP having such a policy; (g) express an opinion on the adequacy of insurance arrangements in the event of the IORP		and similar commitments; (d) liquidity and concentration risk management; (e) operational risk management; (f) insurance and other risk-mitigation techniques; (g) environmental, social and governance risks relating to the investment portfolio and the management thereof.	
		Education syllabus; continuous professional development; Principle B of the code of professional conduct.		Education syllabus; continuous professional development; Principle B of the code of professional conduct.	

<b>Proper</b>		Adhering to professional standards; Actuary being objective, fair and independent; Actuary with good repute and integrity.	Good repute and integrity.	Objective, fair and independent; Good repute and integrity.	Objective, fair and independent; Good repute and integrity
		Code of professional conduct; European actuarial standards.	Code of professional conduct; European actuarial standards.	Code of professional conduct; European actuarial standards.	Code of professional conduct; European actuarial standards.
<b>Proper</b>		No criminal records; Sound financial position; No civil action against person to pursue personal debts; No refusal of admission to or expulsion from professional bodies; No sanctions applied by regulators (from all industries); No questionable business practices.			

*Table 2: IORP II Fit & Proper requirements*

## Glossary

**AAE:** Actuarial Association of Europe

**Actuarial Public Interest Role:** a role in which a person assumes responsibility for an actuarial service that materially contributes to the public interest. This comprises the actuarial function holder role and roles that assume responsibility for material actuarial contributions to other key or critical or important functions (e.g., attesting, by a sign-off, the appropriateness of documents that will become part of the public domain or submitted to a public authority).

**“Fit and Proper”:** a notion used by European regulation, notably the Solvency II and IORP II directives and related regulations, to characterise requirements on persons that effectively run a subject undertaking or institution. These requirements also extend to persons who hold key functions therein.

**Institution:** here often short for institution for occupational retirement provision as per IORP II.

**Key Function:** a notion used by European regulation, notably the Solvency II and IORP II directives and related regulations, to characterise function that are key for the financial soundness of an undertaking or institution. In Solvency II, this comprises at least the Actuarial Function, the Risk Management function, the Compliance Function, and Internal Audit. The undertaking may define more key functions.

**Critical or Important Functions or activities:** a notion for a function or an activity within an insurance or reinsurance undertaking that is deemed critical or important by the undertaking for its operations, compliance, or performance. For these functions or activities, specific governance requirements apply. EIOPA's Final Report on Public Consultation No. 14/017 on Guidelines on system of governance gives examples of critical or importance functions or activities in paragraph 2.291.

**Undertaking:** here often short for "insurance or reinsurance undertaking" as per the Solvency II directive

**Full Member Association (FMA):** a full member of AAE as per AAE's statutes

**AAE Fully Qualified Actuary (FQA):** a fully qualified member of one of AAE's Full Member Association.