

Board of Directors
Actuarial Association of Europe
via email: aae_Board@lists.actuary.eu

4 April 2024

Dear Board of Directors,

Review of the AAE Process for Responding to Consultations

With reference to your recent request for the review of the consultation process (the “process”) of the Actuarial Association of Europe (“AAE”), this letter aims to fulfil that request by providing a review of the current process for responding to consultations issued by European authorities.

In my role managing and overseeing the AAE's consultation activities, and particularly in light of our successful participation in three European Insurance and Occupational Pensions Authority (“EIOPA”) consultations this month, I have identified certain areas where the process could be improved. These areas are discussed below for your review and consideration.

Enclosed in **Appendix A** you may also find a draft setting out the proposal for the revised consultation process, which is based on the considerations noted below. It should be noted that some of the ideas presented here are not novel, and rather, are credited to the previous work of the Secretariat on this topic.

The intention is to propose and apply a structured system of approaching consultations so that we can increase the effectiveness of our voice and so that our responses can provide meaningful independent contributions that add value to our stakeholders and distinguish the AAE as a recognised technocrat in the European community.

While the sections that follow discuss the various considerations in more detail, the list below sets out the main areas addressed in this review:

- Identification of relevant consultations
- Making decisions on which consultations to pursue
- Increasing engagement with member associations and our resource base
- Overseeing and managing the submission of responses
- Increasing the engagement of AAE Committees
- Board review and approvals

A. Overview of the process followed for recent consultations

It is recognised that many of you may not have been involved in previous consultations. Therefore, it is useful to provide you with a step-by-step overview of the process that was followed for the AAE's submission to recent consultations to provide clarity with respect to the various stages from initiation to submission.

The table below provides an analysis of the process followed for recent consultations, including comments identifying the various issues that were faced at each stage.

Stage	Stage Title	Description	Issues Identified
1	Identification of consultations	The initial stage of identifying consultations published by authorities.	<ul style="list-style-type: none"> Setting up a system to identify consultations effectively
2	Deciding to pursue a response	The AAE decides whether a particular consultation is of interest to us and if we want to submit a response.	<ul style="list-style-type: none"> Promptly deciding whether a consultation is relevant or important to the AAE and whether we have the expertise to do so
3	Development of invitation documents and assigning project responsibility	Creating a document which includes all the information necessary for our volunteers (e.g., link to the consultation paper, proposed timelines, assigned AAE committee etc.).	<ul style="list-style-type: none"> <i>Ownership of document development and management/oversight of the process now lies with Stephanos</i> ●
4	Sourcing volunteers	Finding the relevant people within the AAE that will provide the content for the response.	<ul style="list-style-type: none"> Reaching Member Associations outside of the AAE working groups ● Activating related AAE working groups and Committees Achieving a critical mass of volunteers to ensure independence of responses
5	Collecting responses	Collecting response from internal/external volunteers.	<ul style="list-style-type: none"> Ensuring timely collection of contributions ●
6	Aggregating responses	Aggregating the collected responses into a single, consolidated response and sharing with contributors for review and comments (to ensure transparency).	<ul style="list-style-type: none"> Ensuring the aggregated response consolidates adequately the different points of view ● Resolving disagreements and arriving at a widely accepted draft response ●
7	Review of feedback and iterations	Reviewing feedback from contributors and incorporating changes.	<ul style="list-style-type: none"> Timely collection of feedback/comments Incorporating feedback without altering the original contributions of other volunteers
8	Submission of consolidated response to AAE Committee(s)	Submission to the relevant AAE Committee(s) for approval.	<ul style="list-style-type: none"> Low engagement of AAE Committees ● Very limited comments received, and approval is generally granted by no indication of disagreement e.g., approval by silence
9	Review of feedback and iterations	Reviewing feedback at Committee level and incorporating changes.	
10	Submission of final draft to Board Reviewers	Submission of final draft for review by the members of the Board that were assigned as Board reviewers.	<ul style="list-style-type: none"> Generally, given only limited time to review due to delays in previous stages Deciding how to weigh individual contributions to ensure AAE response impartiality ●
11	Review of feedback and iterations	Reviewing feedback at Board level and incorporating changes.	
12	Submission of AAE's response (e.g., to EIOPA)	Submitting the response to the relevant issuing authority.	

B. Summary of the main issues and discussion of potential improvements

This section discusses the main issues identified in the analysis above, laying out considerations for the Board of Directors, and provides recommendations, where appropriate, for adjustments to the consultation process:

1. Identification of consultations

It is important to have a process in place to effectively identify the consultations the AAE wants to be involved in. Currently, this is done primarily by scanning the websites of some important authorities or a consultation may be brought to our attention through our professional interactions.

Although this is good approach that will be maintained, the process can be enhanced by setting up search engine alerts to inform us when a call for consultations is published by relevant stakeholders. It is noted that these alerts have already been setup and are working effectively to notify us of new consultations shortly after they are published. Other methods may include involvement in stakeholder groups, subscription to mailing lists or RSS feeds of stakeholders, keeping an open communication channel with AAE Committee chairs who may also become aware of new consultations etc.

It is important to maintain a list of stakeholders to monitor. Some of these are: European Commission, European Insurance and Occupational Pensions Authority (EIOPA), European Central Bank (ECB), European Securities and Markets Authority (ESMA), European Systemic Risk Board (ESRB), European Banking Authority (EBA), International Association of Insurance Supervisors (IAIS), Insurance Europe and Pensions Europe.

2. Making decisions on whether to pursue a consultation

To commence our work on consultations as early as possible, it is important to be able to filter which consultations to pursue and to get clearance to proceed. This decision depends on the *relevance* of the consultation to our profession and *our capacity* and *availability* of meaningful expertise in the specific topic. Although it is recognised that it is not always clear whether a particular consultation is relevant, in most cases a decision can be made quite swiftly to allow the process to move forward.

To this extent, it is proposed that we follow a similar process to the one followed over the past three months, which has proved to be quite effective. Published consultations can be discussed by the Senior Officers and identified with a “green light” to pursue or a “red light” to skip. If a consultation cannot be categorised clearly in this manner, then further input may be sought from the relevant Committee Chair(s), before reaching a decision. The Committee Chair(s) can also advise on the availability of volunteers to contribute to the topic. It is noted that the final decision whether to pursue a consultation lies with the Senior Officers and the Board.

It is recognised that, in certain cases, some consultations are politically sensitive because of the nature of the topic. In these cases, the Senior Officers will flag these consultations and the assigned board reviewers then attend the initiation meetings or calls, to provide volunteers with the clarity required and the issues that could arise.

It is important is to identify consultations and to decide whether we will pursue a response early on. This will increase the time we have to prepare and therefore increase the likelihood of submitting a high-quality response.

It is equally important to filter out consultations that are not relevant to the AAE to avoid unnecessary requests for work to our volunteers which may in turn impede our efforts to respond to other important consultations.

3. Management and oversight

An important element now added to the process, is the management and oversight of the consultation process under the position of the AAE Senior Actuary. The ownership of the process under a focal point of reference provides the resources to achieve and incorporate the following improvements into the process:

- Development of a comprehensive consultation document to be used in our call for volunteers, which describes the purpose of the consultation, links to the main consultation paper, includes the draft timeline to be followed, the Committees involved, and provides a structured response template to be used for the more effective submission of responses.
- Aggregation of responses into the unified AAE response by an *independent observer* which consolidates all the different points of view, with the aim of provide a *fair and balanced response*. This also includes the ability to deal with disagreements in more constructive and effective way while also providing the capacity to cope with pressing submission timelines.

4. Resourcing and communication with FMAs ●

One of the biggest challenges observed during the recent wave of consultations, is the participation of enough volunteers to provide content for structuring the response.

During the previous three consultations, we had contributions from single individuals within certain AAE groups (e.g., the chair or a member of a specific working group or the chair of a specific committee) but not from the *whole working group*.

Instead, most responses were provided by Full Member Associations (“FMAs”). Depending on the consultation at hand, we received responses from the Irish, French, German, Belgian and Danish associations (mentioned in no particular order). Without these contributions we would not have been able to aggregate a meaningful AAE response. It is noted that any delay in the process under 1 and 2 above typically affects the number of resources, as well as the timing of their submission, which in turn affects the effective aggregation and consolidation of the AAE response.

Therefore, it is important that we increase the coverage of FMAs so that more associations contribute to consultations. One way of achieving this is to reach out to FMAs via email, through the designated key individuals, with a request for the expression of interest for the particular consultation. Issuing such a call through official AAE channels could provide a meaningful increase both in the contributions received by FMAs but also in their response time, if issued early. In the call for participation, we could employ other channels available to us, such as the AAE website, newsletters, and LinkedIn.

While communicating with FMAs directly with the intention of increasing the base of volunteers and achieving wider coverage of opinions, it is also important to respect the AAE governance and the Committee delegates assigned by FMAs, who should be included in these communications. In general, reaching out to FMAs for the purposes of consultations can be achieved through their Secretariat (if applicable), the assigned committee delegate, Membres Titulaires, Membres Suppléants, or other individuals who have a wide perspective of the FMA’s membership and volunteers.

5. Low committee engagement ●

Following the development of the AAE's aggregate response, and following acceptance of the draft by the original contributors, the aggregate response is put forward for review and approval at the relevant AAE committee. The Committee is given a few days to a week to review the draft and provide their approval or any comments or alterations. It is noted to the Committee that, if they do not provide a response by a specified date, then it is considered that they agree with the contents of the response.

For all three consultations in Q1 2024, no explicit approval was provided for the draft response submitted to the Insurance and Risk Management Committees. As such, it is emphasised that the approval of the Committees was not explicitly granted.

This is an important element that signifies that there is room for engagement levels to improve. Any recommendations for increasing engagement of the Committees are outside the scope of the review of the consultations process. However, they are noted here as an important consideration for the health of the governance and approval of consultation responses.

Notwithstanding the above, it could be argued that the wider participation of FMAs in the initial stages of aggregating responses, the wider the acceptance of the opinion is likely to be. Therefore, the lesser the risk of disagreement and criticism post-publication. To this extent, it is important to initiate actions to improve FMA coverage and early involvement in consultations as discussed under Section 4.

Nevertheless, it is noted that the review and approval of the aggregated response by the assigned Committee remains a fundamental governance step in the consultation process.

6. Board review and approvals

The last stage is to submit the aggregated AAE response for review by two members of the Board who have been assigned as Board Reviewers. This is an important stage in the process, to ensure that the overall recommendations of our response are in line with the language, values, and direction of the AAE.

It is recognised that Board reviewers are not engaged in the consultation process until the last stages of finalising the submission. As such, it could be the case that they do not become aware of issues that arose during the aggregation process.

Moreover, it is often the case that due to pressing timelines, the Board Reviewers may only have a few days to review the aggregate response. **Where possible, at least 5 days should be allowed for the purposes of carrying out the review at board level.**

It is recommended that, when the aggregated AAE response is put forward for Board review, a summary of the main issues (if any) identified during the previous stages is provided to the Board Reviewers to alert them of any peculiarities specific to the topic in question or of any disagreements between contributors and how these were addressed (or to note any pending issues).

For politically sensitive consultations, the Board reviewers will engage with volunteers early in the process during the initiation meetings and calls as discussed in Section 2.

7. Weighting and assessing individual contributions against FMA contributions

It is important to ensure independence and impartiality in the nature of the aggregate AAE response. Where the content of individual contributions is in line with other group/FMA contributions, this does not typically create an issue. However, we have recently observed that individual contributions may come in direct contradiction with the consensus view of other participants and/or FMAs.

In these cases, it is necessary to agree to a framework for assessing the inclusion of individual contributions within the aggregate response.

It is suggested that individual contributions that are in direct disagreement with the overall spirit of the aggregated response, which have not been resolved during the aggregation stage, are flagged for the attention of the Board Reviewers who may decide whether to include or exclude these comments. If a decision is made to include these comments, a caveat should be added in the wording of the response to indicate that these comments represent only a minority of members, and the specific wording should be discussed and agreed with Board Reviewers.

It is recognised that there is a risk of incorporating individual views in the AAE response which may represent only the views of specific individuals. As a secondary byproduct, there is a risk in diluting the consensus view of the majority of AAE volunteers, if such views are given undue weight. As such, the AAE should actively monitor such instances and ensure that they are addressed prior to the submission of the consultation response.

8. Submission, acknowledgement, and publication

After the submission of the consultation response, there are certain final considerations and actions to consider with regards to internal record keeping, the publishing the AAE's response and acknowledgement of the contributions of our volunteers, as follows:

- Internal records: Following the submission of a response, an internal note should be drafted for the purposes of keeping records internally, which could include as a minimum:
 - The list of volunteers who contributed,
 - The main disagreements, divergence of opinions, and whether these were resolved, and
 - The main caveats that were included within our response.

It is noted that it is particularly challenging to produce summaries of the main messages of a consultation for wider publication considering that there are often diverging opinions that could go against the main messages, and in many cases the messages could include very specific and technical aspects which could be inappropriate for a wider press release.

However, such a summary could be produced upon request from the Board or the Committee Chairs if there is a need to do so.

- Publication: When submitting a consultation response, it is requested that we indicate our approval for the response to be made publicly available. The AAE's policy has been to agree to the publication of its responses to the wider public. As such, the response of the AAE is shared publicly following the submission of the consultation response.

The current process, which is sufficient, is that the Secretariat announces the successful submission of the AAE response through the website and social media, providing a link to the official AAE response.

- **Acknowledgements:** Within the LinkedIn announcement published by the Secretariat, the AAE acknowledges the support and contributions of its volunteers. It is important to continue this practice to provide encouragement to volunteers to continue to support the AAE and to inspire other volunteers to get involved.

9. Annual review cycles

At least once a year, the effectiveness of the consultation process should be evaluated. A request for feedback should be sent to active contributors to identify areas for improvement. The findings from this process can be used to further refine the consultation process. This may involve updating communication strategies, feedback collection methods, analysis techniques etc.

C. **Conclusions**

The review and proposed amendments to the AAE's consultation process underscore our commitment to enhancing our effectiveness and efficiency when engaging in European consultations. The adoption of a more structured and proactive approach to identifying, deciding upon, and responding to consultations can enable the AAE to express the opinions of its members, and to influence stakeholders within the European community. Moreover, by enhancing our consultation process, we may contribute more meaningfully to the development of policies and regulations that shape our profession and the industries we serve.

The document enclosed as **Appendix A** to this letter sets out the proposed consultation process which is based on the considerations discussed in this letter. Although this letter and the recommendations made have been discussed within Board Group 1 before being put forward to the Board, I welcome and encourage you to closely examine these proposals and share your views and comments.

I look forward to discussing these recommendations with you at the Board Meeting in Vilnius and implementing them for the benefit of our organisation and its stakeholders.

Please let me know if you require any further information or clarifications.

Yours sincerely,



Stephanos Hadjistyllis, FIA CERA

Senior Actuary
Actuarial Association of Europe

APPENDIX A: Proposed AAE Consultation Process

Stage	Stage Title	Description	Actions
1	Identification of consultations	The Senior Actuary ("SA") identifies relevant consultations issued by stakeholders on the AAE monitoring list and notifies the Senior Officers ("SO"), including details of the consultations under consideration. The Secretariat, AAE volunteers, Committee Chairs, and Board Members, may also bring consultations to the attention of the AAE.	SA
2	Deciding to pursue a consultation	<p>The consultation is discussed by the SO who decide whether to pursue a consultation based on its relevance and availability of resources and assign the consultation to the relevant AAE Committee(s). In some cases, it may not be clear whether a consultation is relevant to the actuarial profession or whether we have the available resources and expertise. In these cases, the SO may involve the relevant AAE Committee Chair(s) who can assist in the decision making. The final decision lies with the SO and the Board (BoD). Any politically sensitive consultations are flagged by the SO.</p> <p>The Board is notified at the next Board meeting of any decisions to pursue or drop consultations.</p>	SO Committee Chairs (if required)
3	Assigning Board reviewers	Two Board Members that will review the final AAE response are assigned at the next Board meeting (unless timelines require this assignment to happen earlier via email). For politically sensitive consultations the assigned Board Reviewers attend the initial meetings/calls with volunteers to provide input and direction, as may be necessary.	BoD
4	Development of specification document	A comprehensive document is developed, which includes all the necessary information for the consultation and is used in the invitation to AAE volunteers. The document includes at minimum: the purpose of the consultation, link to main consultation paper, issuing authority, proposed timeline to be followed for the AAE submission, proposed process to be followed for the submission of responses to the AAE and a response template for the collection of responses.	SA
5	Sourcing volunteers	<ol style="list-style-type: none"> 1. A call for the expression of interest is sent to the designated key persons at FMAs. Reaching out to FMAs for the purposes of consultations can be achieved through their Secretariat (if applicable), the assigned committee delegate, Members Titulaires, Membres Suppléants, or other individuals who have a wide perspective of the FMA's membership and volunteers. The list of key persons is maintained by the AAE Secretariat in collaboration with the Senior Actuary. 2. A call for volunteers is sent via email to the relevant AAE Committee(s) and Working Groups (if any). 3. The consultation is published on the AAE website and is also announced via LinkedIn, requesting AAE members to be involved. 	Secretariat and SA
6	Collecting responses	The responses from volunteers are collected up to the specified deadline.	SA

7	Aggregating responses	<p>The collected responses are aggregated and shared with contributors for review and comments. The aggregated response is drafted with the intention to express the various points of view in a balanced way.</p> <p>If disagreements arise, every effort is made to bring volunteers together to reach a consensus view. If this is not possible, both views are disclosed in the aggregated response, noting where appropriate which views come from a majority/minority of contributors.</p> <p>Individual contributions that are in direct disagreement with the overall spirit of the aggregate response and which have not been resolved, are flagged for the attention of the Board Reviewers who may decide whether to include these comments in the response with appropriate wording caveats.</p>	SA
8	Feedback & Iterations	Feedback is collected and the required revisions are incorporated.	SA
9	Submission of consolidated response to AAE Committee(s)	The aggregate response is submitted to the relevant AAE Committee(s) for approval, noting that if no comments are received by the specified deadline, it will be considered that the Committee(s) has approved the draft response. The communication to the Committee(s) includes a summary of the main issues (if any) identified during the previous stages, to alert the Committee of any peculiarities specific to the topic in question or of any disagreements between contributors and how these were addressed, noting any pending issues.	Committee(s), SA
10	Feedback & Iterations	Feedback is collected and the required revisions are incorporated.	SA
11	Submission for final review	The aggregate response is submitted to the Board Reviewers, including a summary of the main issues (if any) identified during the previous stages to alert them of any peculiarities specific to the topic in question or of any disagreements between contributors and how these were addressed, noting any pending issues.	Board Reviewers, SA
12	Feedback & Iterations	Feedback is collected and the required revisions are incorporated.	SA
13	Submission of AAE's response	The AAE response to the consultation is submitted.	SA
14	Publication and acknowledgements	The AAE response to the consultation is published on the AAE website. Additionally, a LinkedIn post circulates the AAE's acknowledgement to volunteers for their work and links to the submission document.	Secretariat
15	Internal record keeping	The submission is logged for the purposes of internal record keeping. An internal note is produced noting the AAE's submission to the consultation, including: the list of volunteers who contributed, the main disagreements (if any), divergence of opinions (if any), and whether these were resolved, and the main caveats that were included within our response (if applicable).	SA