



Chairperson's Update

July 2016



Dear Colleagues,

Brexit

As I write this update, it is just a few days since the UK referendum on 23 June in which a majority voted to leave the EU. At this stage, what will happen and when is unclear, and the nature of the longer term relationship between the UK and the EU is unknown. Until the withdrawal process has concluded, the UK remains a member of the EU and is bound by its requirements.

The UK actuarial profession were among the founder members of the AAE (then the Groupe Consultatif) in 1978, and have played a major role in the development of the AAE and the actuarial profession in Europe since that time. Membership of the AAE is open to any actuarial association in Europe which meets the qualifying criteria, and there is no requirement for the country in which that association is based to have a relationship with the EU. I look forward to the continuing strong contribution of the Institute and Faculty of Actuaries to our work.

The result of the referendum has had a major impact on financial markets and has prompted the resignation of the UK Commissioner Lord Hill, who had responsibility for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). As it happens, we had already arranged our regular 6 monthly meetings of the AAE Officers with EIOPA Senior Management and with the head of the insurance unit at DG FISMA for later this week, so we will have an opportunity to share views with them on this impact of Brexit, as well as the usual agenda items.

New office

I am delighted to report that we have now moved into our new office space at 1 Place du Samedi, a few metres from our previous home at 4 Place du Samedi. We have agreed a sublease with the IA|BE on the basis of the same rental as we were paying previously, and have enhanced meeting capacity there which gives us the ability to hold meetings of Committees and working parties as required. Many thanks to Ad Kok, Michael Lucas and Karel Goossens for making this happen.

Spring meetings in London

The Spring meetings of Pensions, Education and Investment and Financial Risk Committees, and the Social Security Sub-Committee, took place in London in April at the invitation of the Institute and Faculty of Actuaries.

The meeting agendas and the minutes are available [here](#). Among the topics addressed were:

- Developments on the IORP II Directive
- Consideration of the AAE Education Syllabus (in light of revisions to IAA syllabus)
- Future of IFR Committee
- Task force on Adequacy of Pensions

Congress

Our second congress ECA2016 was held in Brussels on 21-22 April with approximately 200 attendees from all over Europe. This was lower than the number who attended ECA2012 which we believe was in part due to concerns about security and travel difficulties following the terrorist attacks in Brussels a few weeks beforehand. However, the number of registrations prior to that had been lower than our expectations and we are conducting a review to determine the reasons for this. As a consequence of the lower than budgeted numbers, there will be a financial loss in respect of the Congress about which we will provide more detail at the General Assembly in September.

The feedback from those who attended was very positive, particularly in relation to the interactive plenary sessions, but we also received compliments on the variety of the technical presentations, reflecting the theme "Actuaries Spreading Their Wings".

I extend my thanks to all who participated, especially to those who made presentations or moderated sessions. In particular, I would like to thank Ad Kok, Henning Wergen, Michael Lucas and Monique Schuilenburg for their commitment to the organisation of the event, and Het Koninklijk Actuarieel Genootschap for providing Monique to assist us.

IAA at St Petersburg

As AAE Chairperson, I was invited by the IAA to attend their meetings in St. Petersburg in May, and attended their Presidents' Forum in that capacity, where I supported Thomas Béhar and Malcolm Kemp in giving a short presentation on the AAE work on risk management, which was well received.

I had the opportunity to meet many European (and non-European) actuaries who were attending the IAA meetings and I would encourage member associations to become involved, where possible, in IAA activities as well as in the AAE. As I have previously mentioned, there is an ongoing project looking at the development of a more formal relationship between the IAA and the AAE, with a key objective being to ensure that there is no duplication of work, and we will discuss this further in Barcelona.

Interaction with Member Associations

I am delighted to have had the opportunity to visit a number of Member Associations in recent months. In conjunction in with the Spring meetings, Ad Kok and I had a meeting with the Chief Executive and members of International Committee of the IFoA, who shared with us their views on AAE activities, and the following week we met with the leadership of the DAV in Cologne, who made some suggestions on the governance of the AAE.

Following these meetings, and in line with the commitment given in 2010 and 2013 to keep the AAE strategy under review, we established a Strategy Review Task Force which I discuss further below.

I attended the Jahrestagung of the DAV in Bremen, and enjoyed the Gala Dinner in the Musical Theatre, including the traditional Mei-singen and the World Premiere of Carl Friedrich and the Abnormal Distribution – a rock band composed of German actuaries who I am sure will be a big hit at ICA 2018 in Berlin.



The Italian Association kindly invited me, along with Ad Kok and Falco Valkenburg, to attend their Congress in Bologna in June, the first such Congress since the merger of the Istituto Italiano degli Attuari and the Consiglio Nazionale degli Attuari at the start of this year. This was extremely well attended with 900 participants (a significant proportion of these were not actuaries) and I was delighted to have the opportunity to make a couple of presentations, during which I encouraged members of

the Italian association to become involved in the work of the AAE. I also noted that I had never seen the word for "actuary" in any language as large as that outside the Congress building – see photograph above!

The Gala dinner was a very enjoyable event with a large attendance of young actuaries, and musical entertainment by the President, Giampaolo Crenca, pictured right "blowin' in the wind".



I was honoured to attend the Congress of the Institut des Actuaries in Paris, of which the highlight was the signing of a mutual cooperation agreement between the Institut and the Chinese Actuarial Association, who were represented by their President, Dr Chen Dong Sheng (pictured left).

Falco Valkenburg, Chairperson of the Pensions Committee, has made presentations at seminars organised by the Slovenian Actuarial Association, and by the Austrian Actuarial Association, whilst Christoph Krischanitz, Chairperson of the Investment and Financial Risk Committee, has participated in a seminar of the Czech Actuarial Association. Michael Lucas represented the AAE at the reception held by IA|BE to mark the opening of their new offices.

Publications and responses to consultations

The fourth edition of our EU Newsletter was issued early July, setting out the position in relation to the Commission's current legislative and policy programme.

The AAE has recently published a paper entitled "Roles of Actuaries under Solvency II" which sets out the results of a survey of member associations and the AAE's views on the roles of actuaries in the new framework, both in actuarial and risk management areas.

In May, we published a paper responding to the results of the European Commission's geo-blocking consultation. We noted that, whilst the AAE shares the Commission's concern on geo-blocking and other forms of geographically-based discrimination, it urges the Commission to consider its view that the use of geographical criteria in insurance pricing does not fall under geo-blocking or even if it does, it is justifiable geo-blocking. The restriction of the use of this factor can lead to deterioration in risk profile and potentially the profitability of the business and therefore, the insurers' ability to pay in the event of a claim. Moreover,

the insurers' ability to pool lower risks with higher risks, based on statistical and actuarial criteria, prevents the insureds from paying unbearable premiums, which should be considered as socially efficient.

A paper was published on the proposed amendments to the IORP II Directive being considered in the trilogue negotiations, reflecting the discussion at the Pensions Committee meeting in April. As I write, the trilogue discussions have concluded and a final draft of the Directive has been prepared for formal approval by Parliament and Council. I am pleased that our efforts to seek the inclusion of a reference to requirements for the actuarial function holder have been partially successful, in that Recital 25 has been amended to include the following text:

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

We had hoped that the text would also be incorporated in Article 28, which sets out the duties of the Actuarial Function (similar to Article 48 in the Solvency II Framework Directive), but this reference in the Recital should encourage Member States to recognise the need for the Actuarial Function holder to have appropriate expertise and standards. Whilst the text does not resolve all of the issues we have highlighted, we are pleased to note a less prescriptive approach to the risk assessment and member information provisions, and more flexible requirements for cross border pensions plans, allied to a stricter approval process for cross border transfers.

The Insurance Committee is in the process of preparing our response to the EIOPA consultation on the Ultimate Forward Rate which closes on 18 July.

Other Activities

i. Strategy Review

As noted above, we have initiated a review of our strategic objectives and business plan, as decided in the meetings of the General Assembly in 2010 in Brussels and in 2013 in Dublin, and prompted by discussions with IFoA and DAV in April. I am delighted that we had a very good response to our call for volunteers for the task force, to be led by Vice-Chairperson, Kristoffer Bork, and they have already begun their work. They will issue a questionnaire to member associations shortly, and it is important that all associations respond. The task force will prepare a presentation for the Presidents' meeting on 1 September, and there will be a full discussion at the meetings in Barcelona.

ii. Low Interest Rates

The Insurance Committee is developing a position paper on the impact of low interest rates which we hope will be available shortly.

iii. Risk Management

As agreed in the Spring meetings in Nicosia, a group has been formed to consider how best AAE can take forward our work in the field of (Enterprise) Risk Management and an initial brainstorming meeting was held on 30 June.

We have recently issued the initial announcement in relation to the meetings of the General Assembly and all of the Committees, to be held in Barcelona at the kind invitation of Col.legi d'Actuaris de Catalunya, from 21-23 September. I look forward to visiting Barcelona and to meeting representatives from all of our member associations there.

Finally, on a personal note, I will be retiring on 21 July after over 33 years with Aon Hewitt and predecessor firms, and will be taking up a position with the Society of Actuaries in Ireland from 25 July, when my email address will become philip.shier@actuaries.ie. I am looking forward to the new challenge, but will miss colleagues and clients with whom I have worked for many years, and I am very grateful to Aon Hewitt for their support for my involvement in external professional activities.

Philip S. Shier

Chairperson

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