

# Survey on ESAP5



- **ESAP5 Task Force**

AAE has set up a task force to evaluate whether a model standard for 'independent review by actuaries in the context of Solvency II' would be beneficial

- **Survey on ESAP5**

The task force has conducted a survey to obtain more insight into the requirements, existing guidance and individual needs of each member organization and to establish views on whether a model standard would be helpful for actuaries in carrying out reviews

The survey has been conducted between January 4 and March 5

# Participation

- 36 member associations of AAE asked to participate in survey
- Responses from 17 member associations received

(with a total of 21 reponses due to double answers from some member associations)

Country	Name of association	Name	Function
Croatia	Croatian Actuarial Association	Mirjana Cesarec	Member Standards, Freedoms and Professionalism Committee
Cyprus	Cyprus Association of Actuaries	Christos Patsalides	Council Representative to Standards and Freedoms Committee
Denmark	Den Danske Aktuarforening	Jette Lunding Sandqvist	Deputy Chairman
Finland	Actuarial Society of Finland	Esko Kivisaari	Exponential
France	Institut des actuaires	Canarelli // Y. Bonnet	Actuary // Consulting Actuary
Germany	German Association of Actuaries	Dr. Dieter Köhnlein	Member Standards, Freedoms and Professionalism Committee
Greece	Hellenic Actuarial Society	George D. Kravvaritis	Member of the Board
Hungary	Hungarian Actuarial Society	Gabor Hanak	Board Member
Ireland	Society of Actuaries in Ireland	Yvonne Lynch	Director of Professional Affairs
Italy	ISOA	G. Olivieri // G. Crenca	Board Member // President of CNA on behalf of ISOA
Netherlands	Koninklijk Actuarieel Genootschap	Ernst Visser	Consulting Actuary Milliman
Norway	Den Norske Aktuarforening	S. Gaarder // M. Nilsen	Solvency II Committee // President
Portugal	Instituto dos Actuários Portugueses	Ana Martins Pereira	Vice President
Romania	Romanian Actuarial Association	Octavian Cosenco	Vice President
Slovakia	Slovak Society of Actuaries	J. Ducky // M. Kamenarova	President // Vice Chairman
Switzerland	Swiss Association of Actuaries	Lutz Wilhelmy	Member of the Board
UK	Institute and Faculty of Actuaries	Tim Werkhoven	Head of Public Affairs

- 19 member associations did not participate in survey

(i.e. Austria, Belgium, Bulgaria, Channel Islands, Czech Republic, Estonia, Iceland, Latvia, Lithuania, Luxembourg, Malta, Poland, Serbia, Slovenia, Spain Col.legi, Spain Instituto, Sweden, Turkey, Ukraine)

# Need for a model standard



- **Need for a model standard**

11 out of 17 member associations who responded consider the **development of a model standard for independent review by actuaries in the context of Solvency II by the AAE helpful**

Respondents ranked the value of a model standard higher than other tools (e.g. guidance, legal requirements, discussion with peers)

11 out of 17 member associations who responded specify that the format should be principle-based

- **Existing guidance**

Responses indicate that hardly any professional guidance which is specific to actuaries to provide support in the completion of the actuarial elements of audits or required independent peer reviews exists

- **Potential scope of a model standard**

Responses indicate that a model standard should cover a broad variety of items of actuarial work, in particular various items regarding the evaluation of assets and liabilities, the evaluation of SCR and reporting

## ▪ Representativeness of the survey

Can the survey be considered representative given a participation rate of less than 50% with large member associations like Spain missing?

Question to be discussed and decided on at spring meeting!

## ▪ Model standard

In case the answer is yes i.e. the survey is considered to be representative the task force suggests to develop a principle-based model standard that meets the following conditions:

- A new AAE model standard should be based on existing standards in order to avoid introducing contradictions with standards already in place.
- A new AAE model standard should cover a broad variety of items of actuarial work to meet the individual needs of the member organizations. Proposed scope (cf. results, chapter 4):

### Evaluation of assets and liabilities

- Materiality concept
- Evaluation of assets (e.g. assessment of reinsurance receivables, assessment with look through approach, ...)
- Evaluation of liabilities (e.g. data quality, risk margin, ...)

### Reporting

- Actuarial contribution to QRTs, SFCR, RSR and ORSA
- Actuarial function: opinion on underwriting, opinion on reinsurance arrangements

### Evaluation of SCR

- Standard vs. internal model assumptions
- Risks (e.g. aggregation techniques, modelled risk type, ...)
- USP (undertaking specific parameters)
- Data (e.g. data consistency, data quality, ...)
- ESG
- Model simplification
- Requirements for stochastic cash flow models
- Back testing
- Documentation

# Survey Results\*



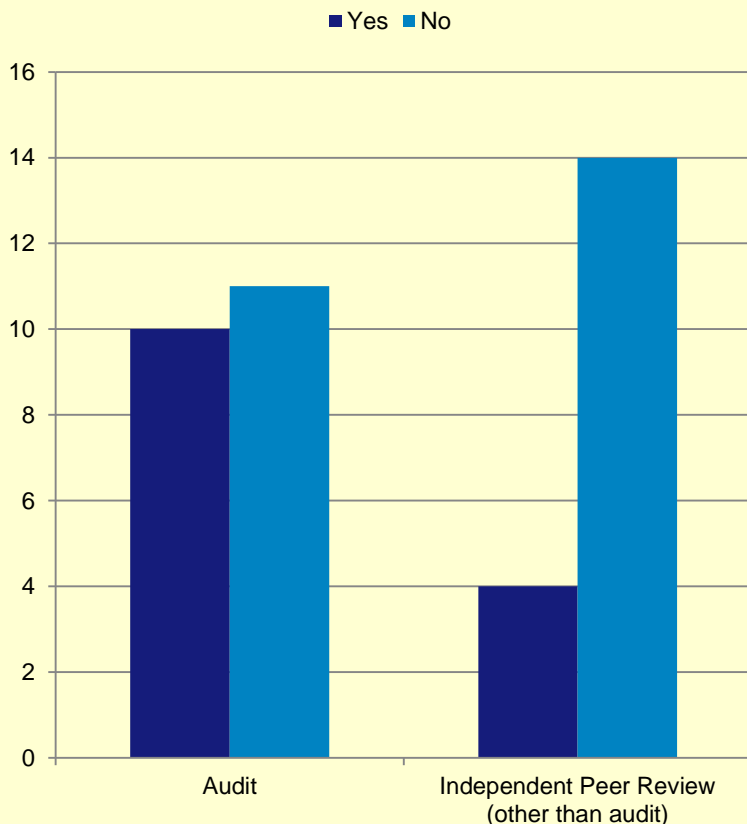
- 1**      **Regulatory / legal environment**
- 2**      Existing guidance
- 3**      Need for a model standard
- 4**      Scope

\* Note: no adjustment for double answers from some member associations  
for questions with multiple answers possible the number of responses is specified

# Regulatory / legal environment

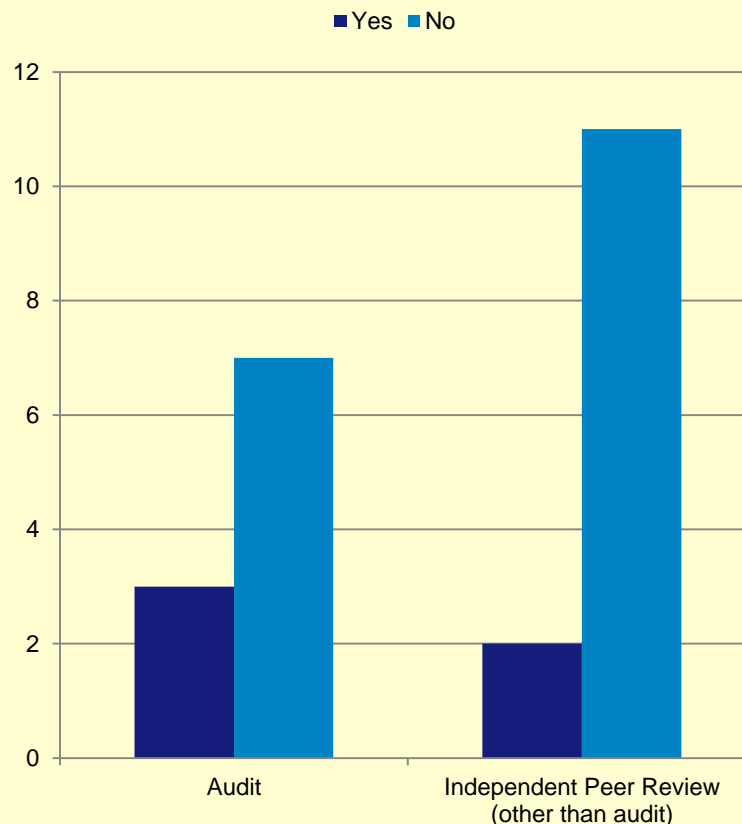
## Q1

Is there a statutory requirement in your country for review and/or audit of actuarial work contributing to information required to be prepared in compliance with Solvency II?



## Q2

In case there is no statutory requirement, do you expect that such requirements will be introduced in the future?

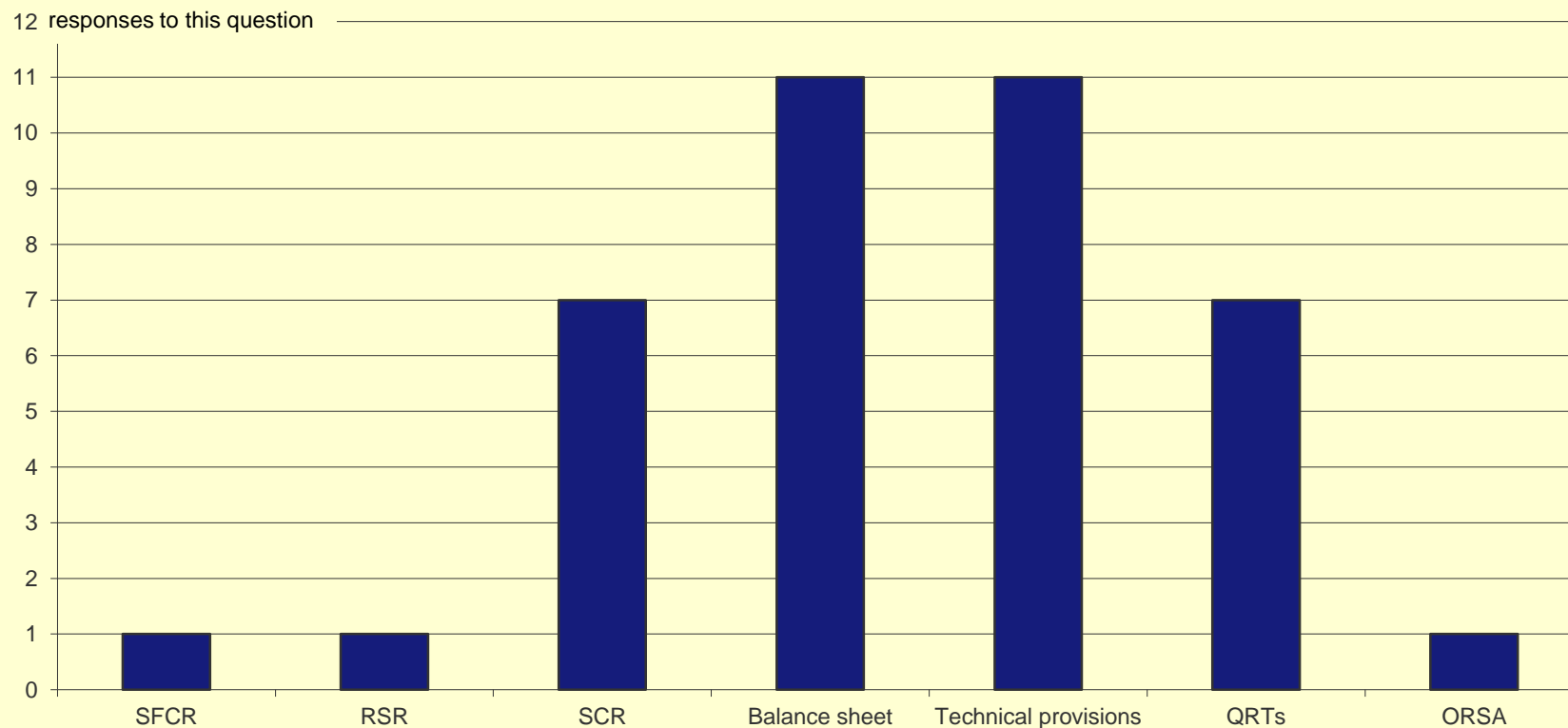


## Q3

### Requirement for audit:

If there is a requirement for audit:

Which elements of information required to be prepared in compliance with Solvency II are required to be audited?



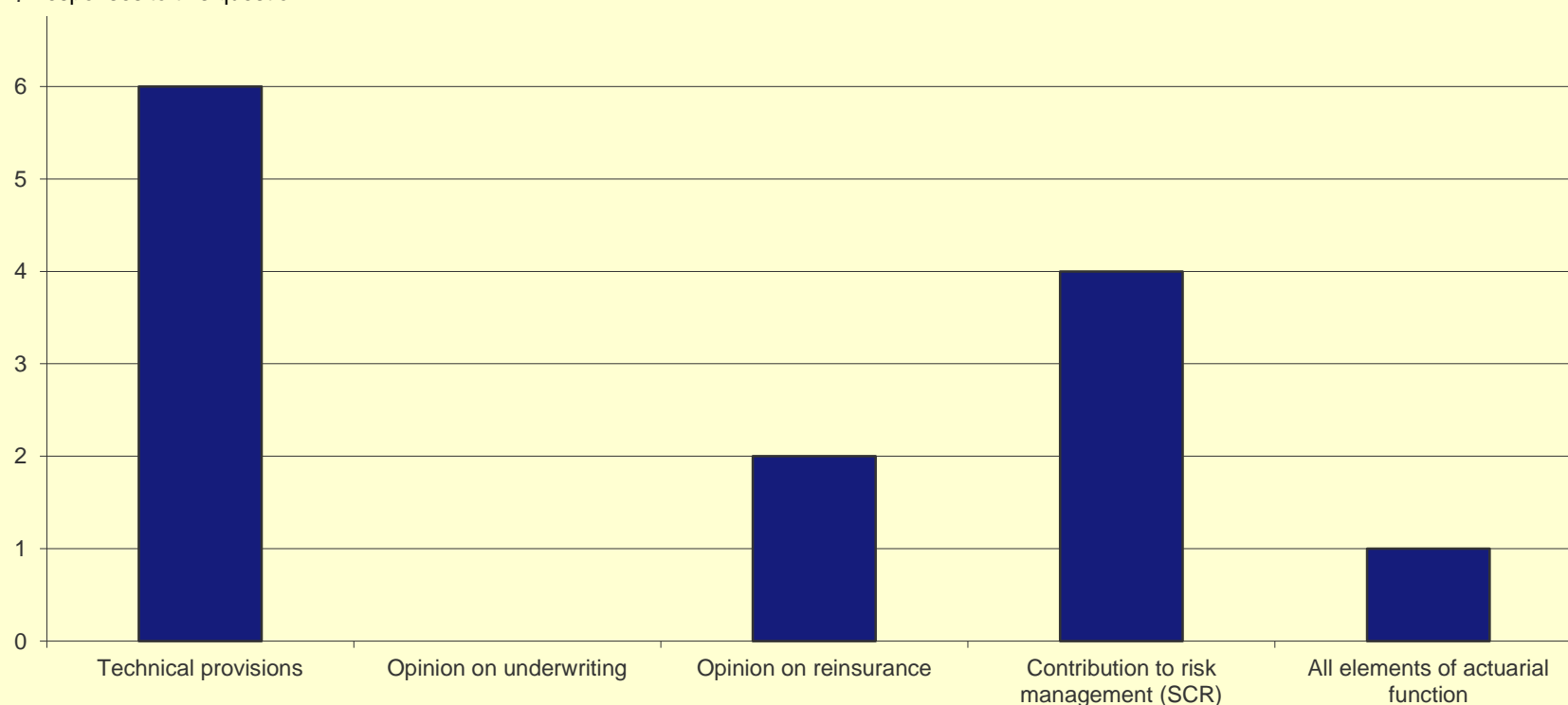


## Q6

### Requirement for independent peer review:

If there is a requirement for independent peer review of actuarial function input to Solvency II information requirements, does it cover:

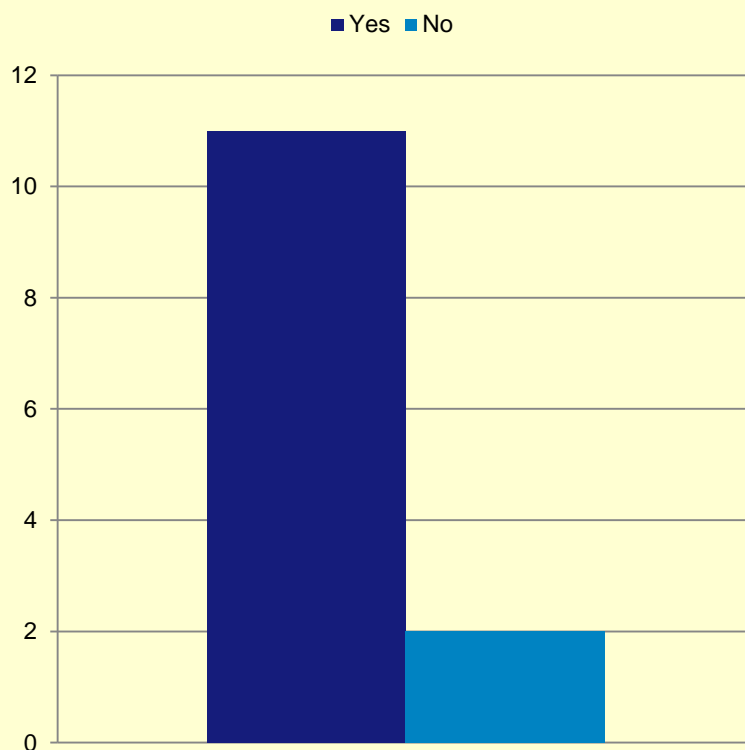
7 responses to this question



## Q4

### Requirement for audit:

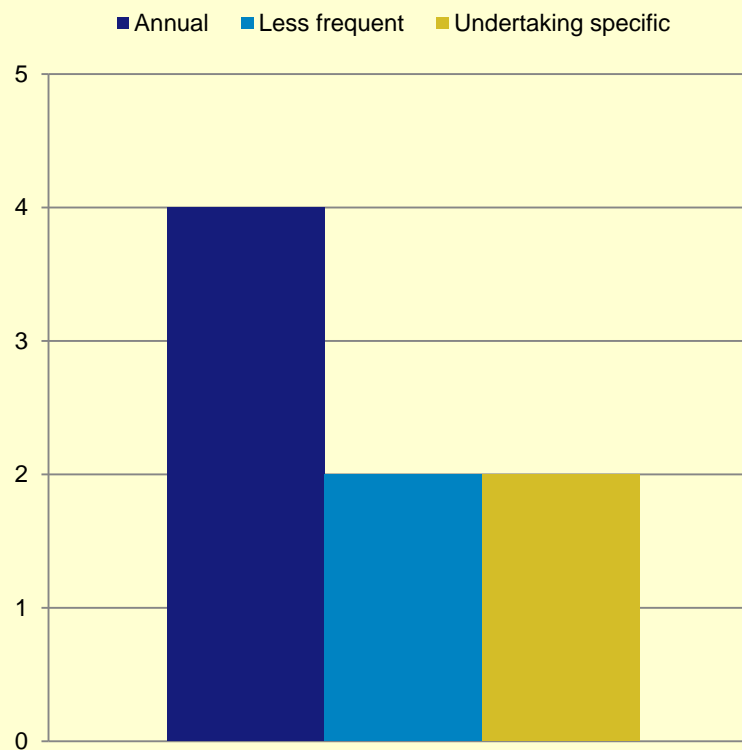
Is the audit opinion a reasonable assurance opinion to be provided by the incumbent auditor?



## Q7

### Requirement for independent peer review:

How frequent is the requirement for such a review?



# Survey Results\*



- 1 Regulatory / legal environment
- 2 **Existing guidance**
- 3 Need for a model standard
- 4 Scope

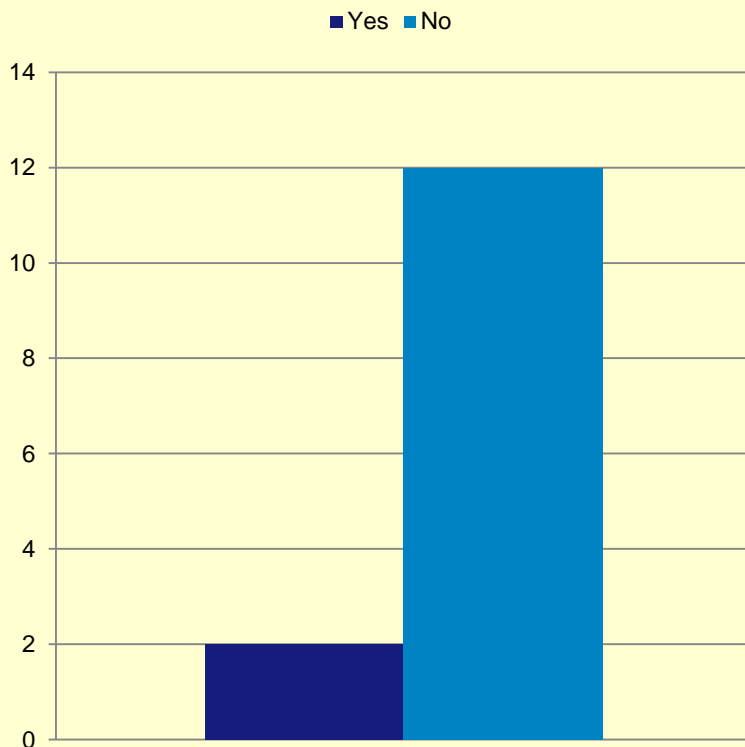
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# Existing Guidance

## Q5

### Requirement for audit:

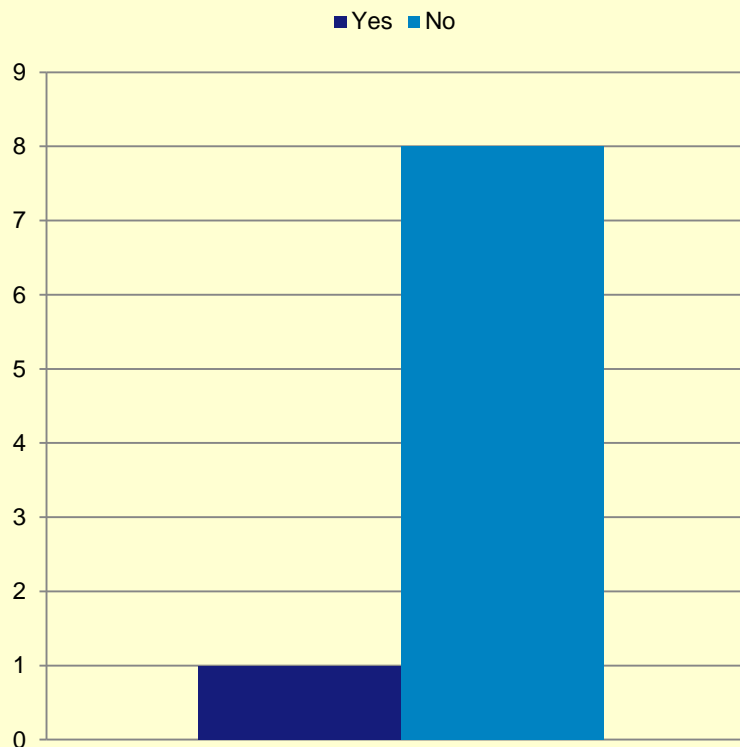
Is there any professional guidance in your country which is specific to actuaries to provide support in the completion of the actuarial element of audits?



## Q8

### Requirement for independent peer review:

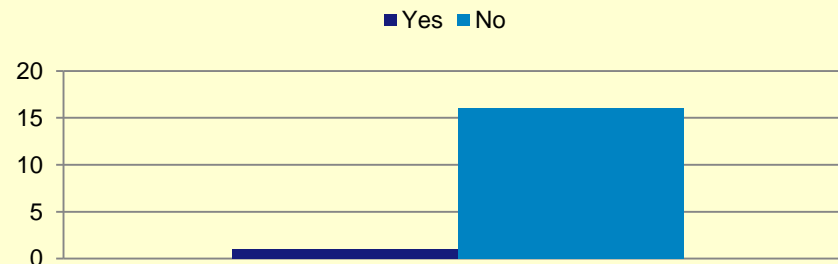
Is there any professional guidance in your country which is specific to actuaries to provide support in the completion of required independent peer reviews?



# Existing Guidance

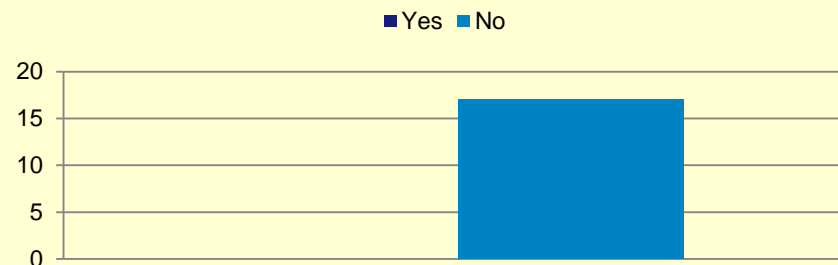
## Q13

Is there any professional guidance on the evaluation of assets and liabilities in your country which is specific to actuaries to provide support in the completion of required independent peer reviews?



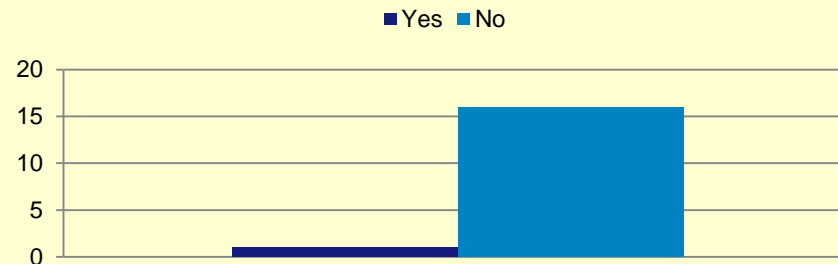
## Q18

Is there any professional guidance on the evaluation of SCR in your country which is specific to actuaries to provide support in the completion of required independent peer reviews?



## Q23

Is there any professional guidance on reporting in the context of Solvency II in your country which is specific to actuaries to provide support in the completion of required independent peer reviews?



# Survey Results\*



- 1 Regulatory / legal environment
- 2 Existing guidance
- 3 **Need for a model standard**
- 4 Scope

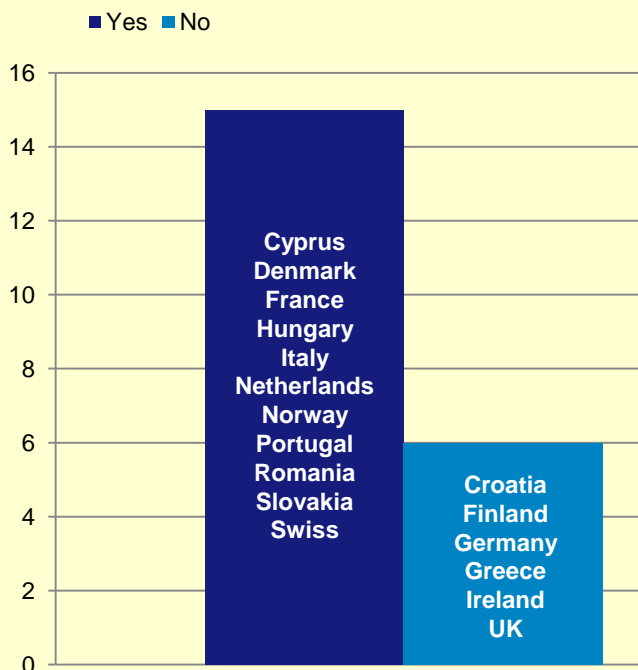
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for questions with multiple answers possible the number of responses is specified

# Need for a model standard

## Q9

### Need for a model standard:

Do you consider it helpful for actuaries in your country that a model standard for 'independent review by actuaries in the context of Solvency II' will be developed by the AAE?



## Q9

### Need for a model standard – Comments

#### Pros:

- Standardization, increased uniformity, consistency, harmonization
- Increased quality, minimum quality level / best practice, professionalising
- Level playing field

#### Cons:

- Risk of introducing contradictions with standards already in place
- Independent review requirements may be different in each country, therefore it may be best to allow standards to emerge at local level rather than as an EU-wide model
- Actuaries should acquire more experience of the Solvency II framework first and will then be able to make more informed contributions to discussion on whether a model standard would be useful and if so, what it should cover

## Q24

With regard to 'independent review by actuaries in the context of Solvency II' – which format would be most suitable for the actuarial profession in your country? Please rank the mentioned items 1 to 5, with 5 the most suitable.

	Rating Average*
Standard based on model standard	3,8
Guidance	3,3
Legal requirements	3,2
Discussion with peers	2,7
Other	2,1

\* 5 – most suitable and 1 – least suitable

# Survey Results\*



- 1 Regulatory / legal environment
- 2 Existing guidance
- 3 Need for a model standard
- 4 **Scope**

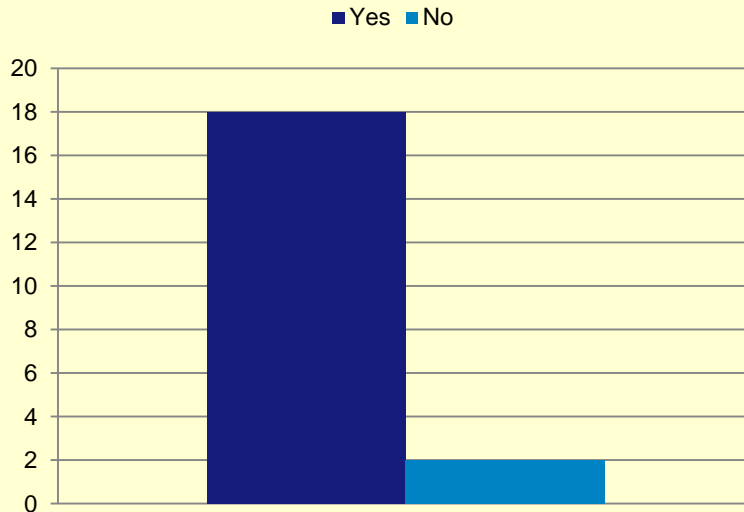
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# Independence and skills of the reviewer

## Q26

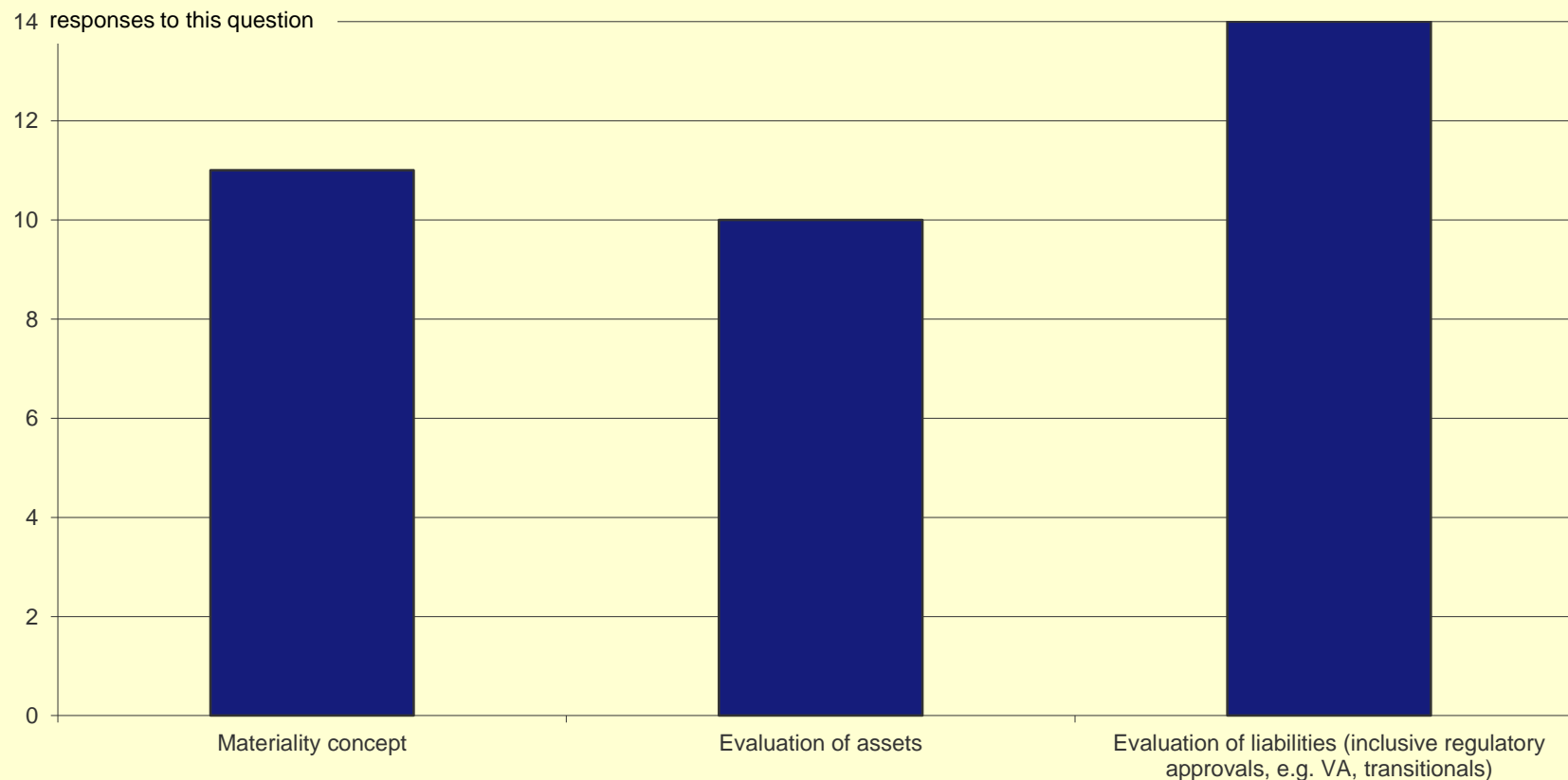
Should a model standard cover  
independence and skills of the reviewer?



## Q10

### General items:

Which items of actuarial work should be addressed by a model standard?

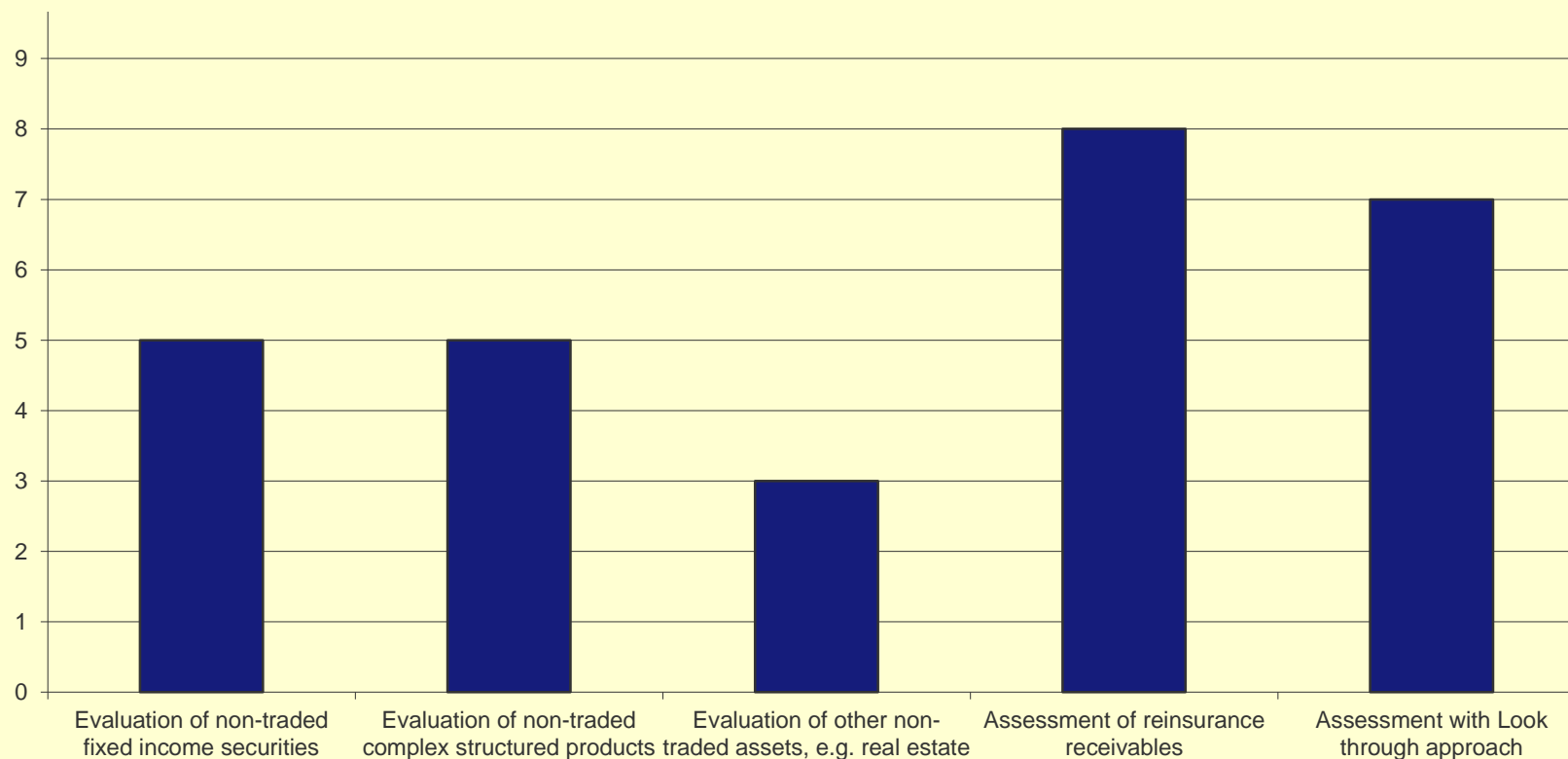


## Q11

### Particular items:

If you ticked the 'evaluation of assets' box, which items in particular do you consider should be addressed by a model standard?

10 responses to this question

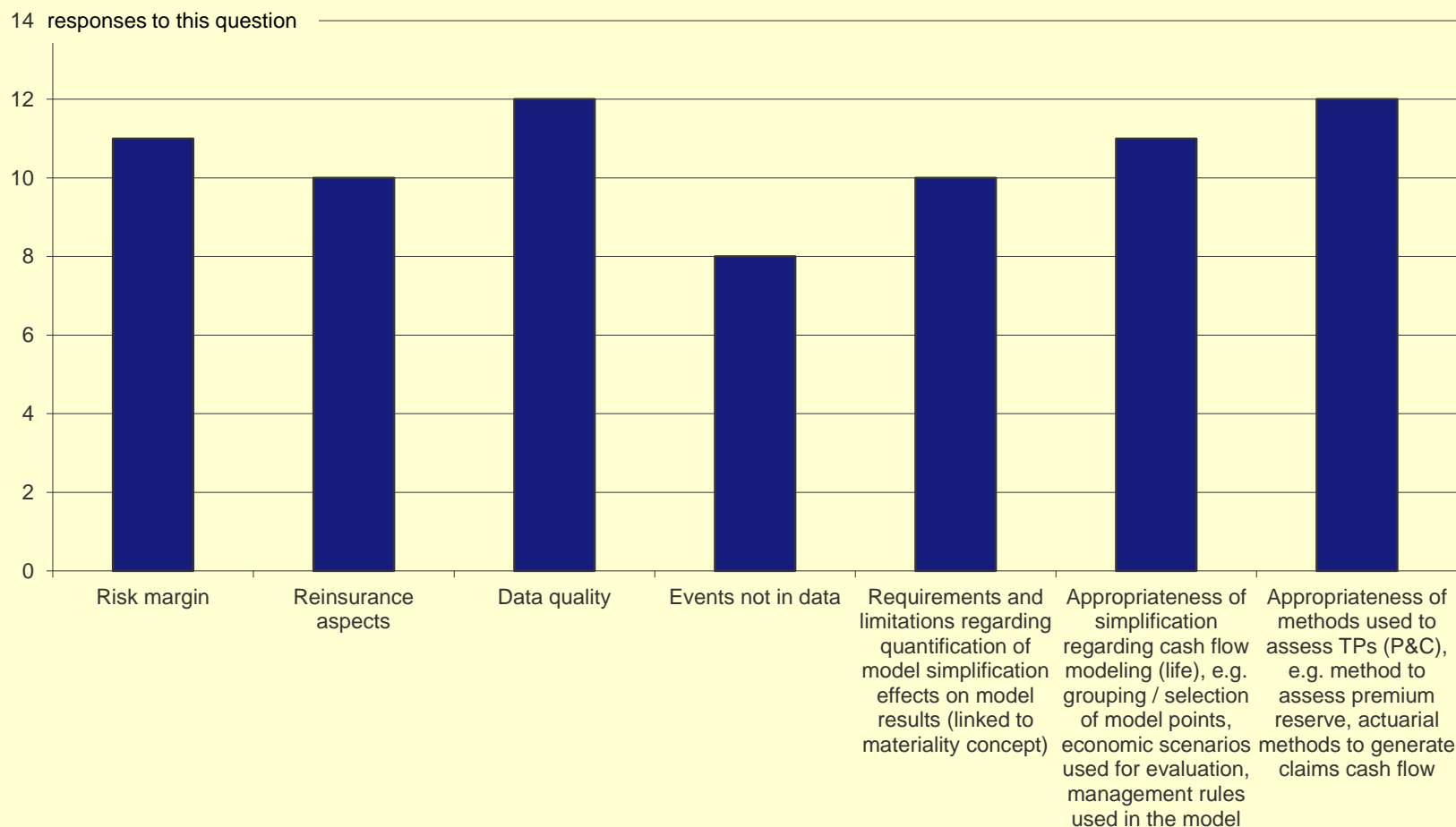


# Evaluation of assets and liabilities

## Q12

### Particular items:

If you ticked the 'evaluation of liabilities' box, which items in particular do you consider should be addressed by a model standard?



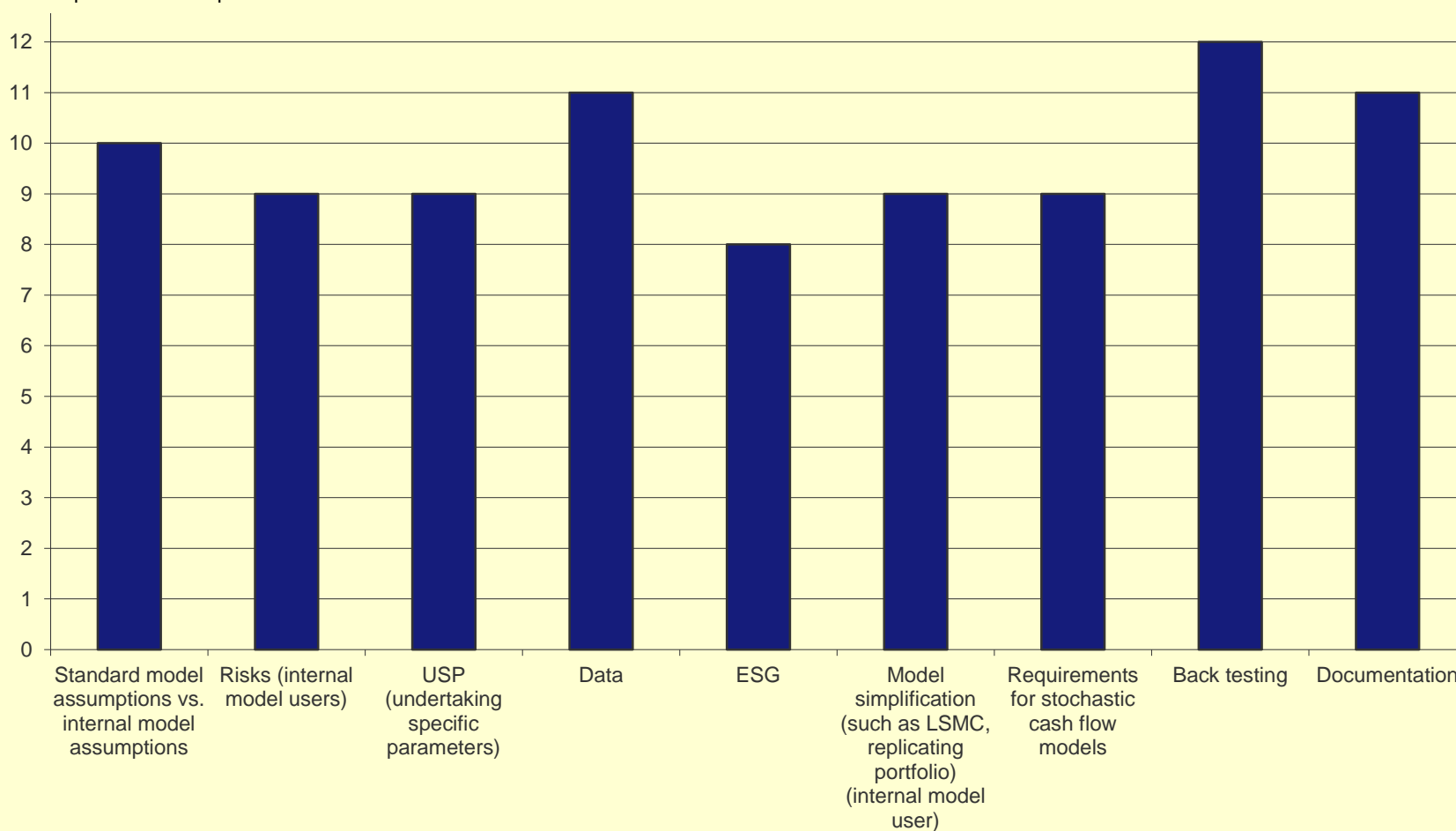
# Evaluation of SCR

## Q14

### General items:

Which items of actuarial work should be addressed by a model standard?

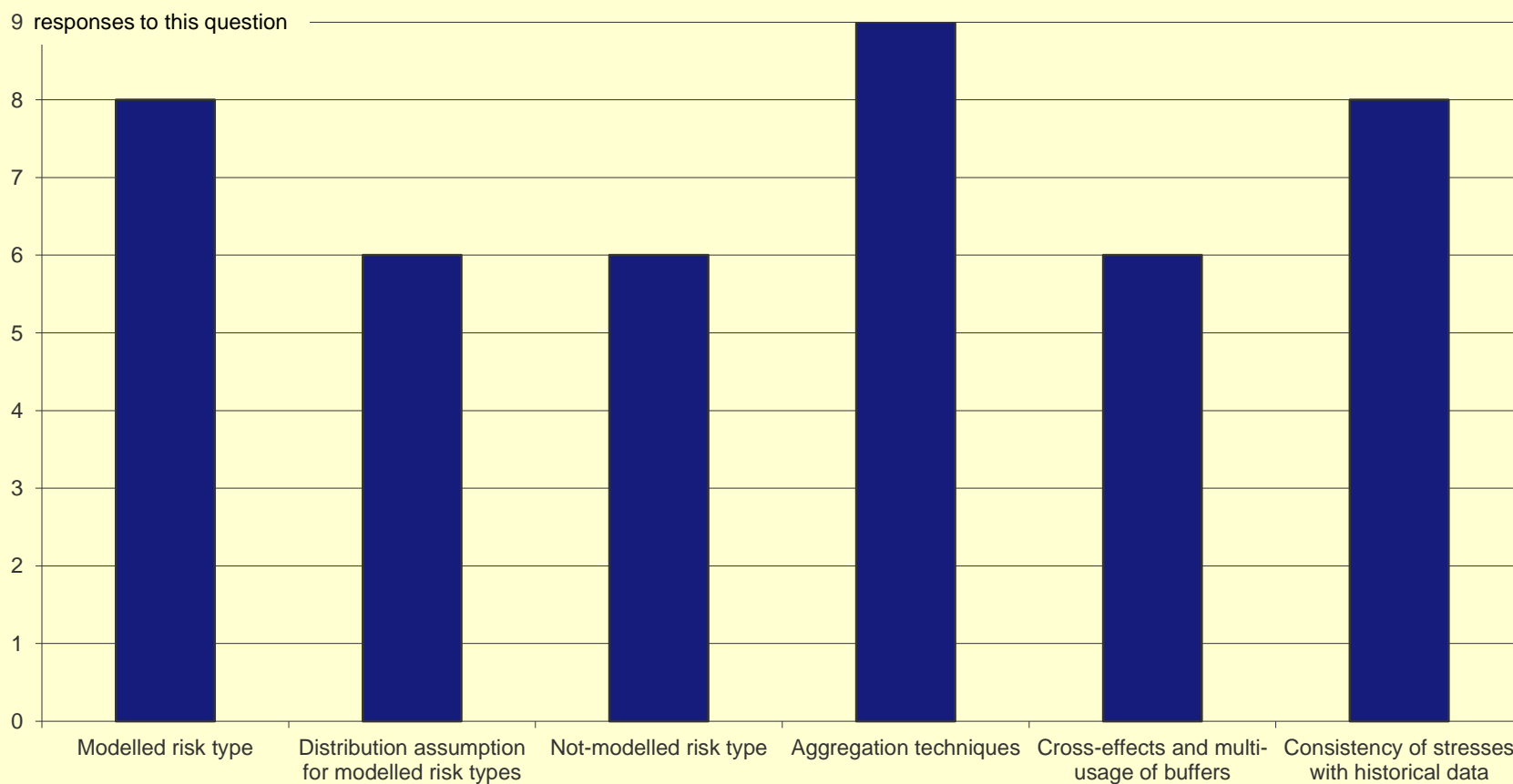
13 responses to this question



## Q15

### Particular items:

If you ticked the 'risks' box, which items in particular do you consider should be addressed by a model standard?

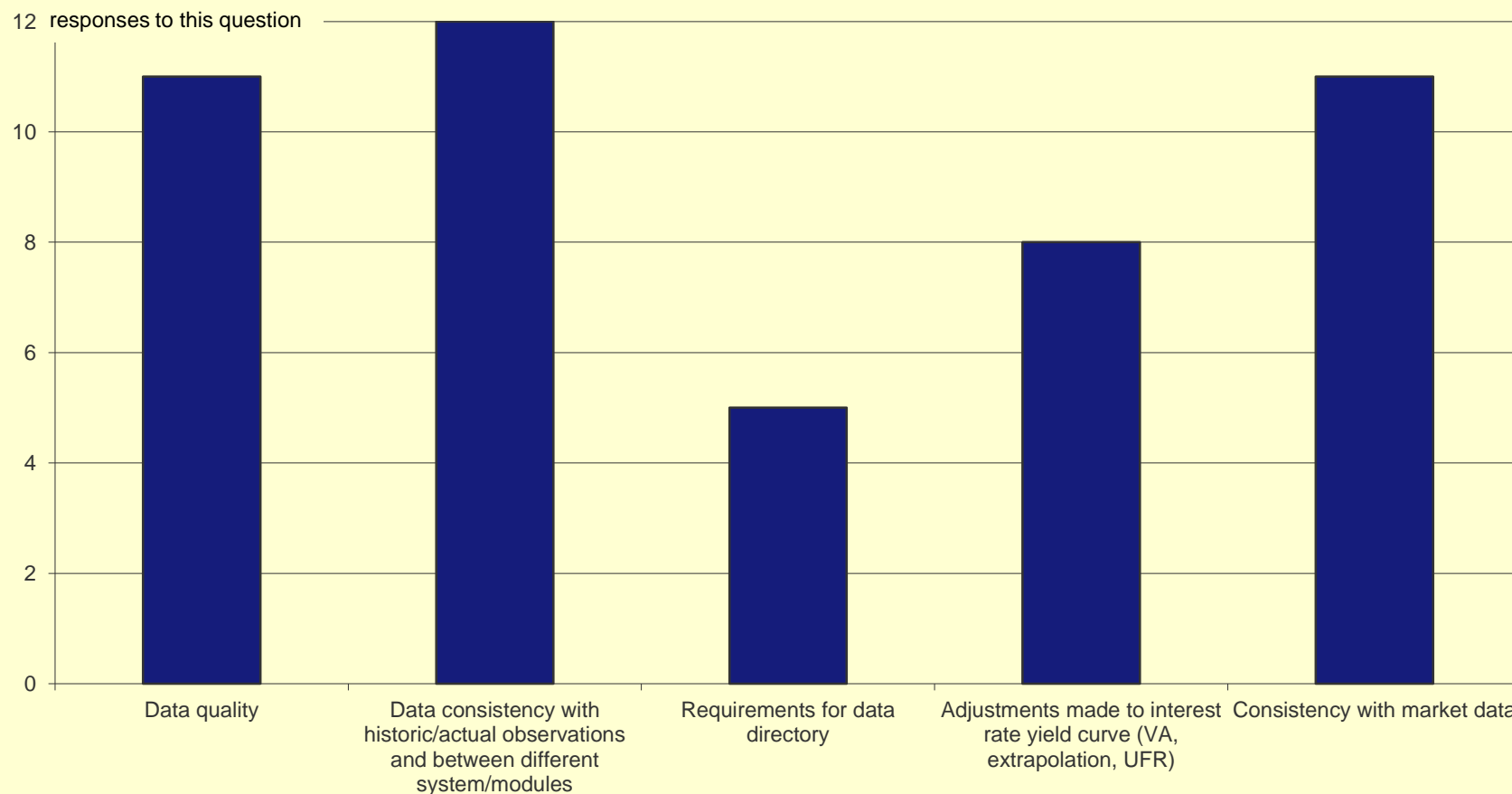


# Evaluation of SCR

## Q16

### Particular items:

If you ticked the 'data' box, which items in particular do you consider should be addressed by a model standard?

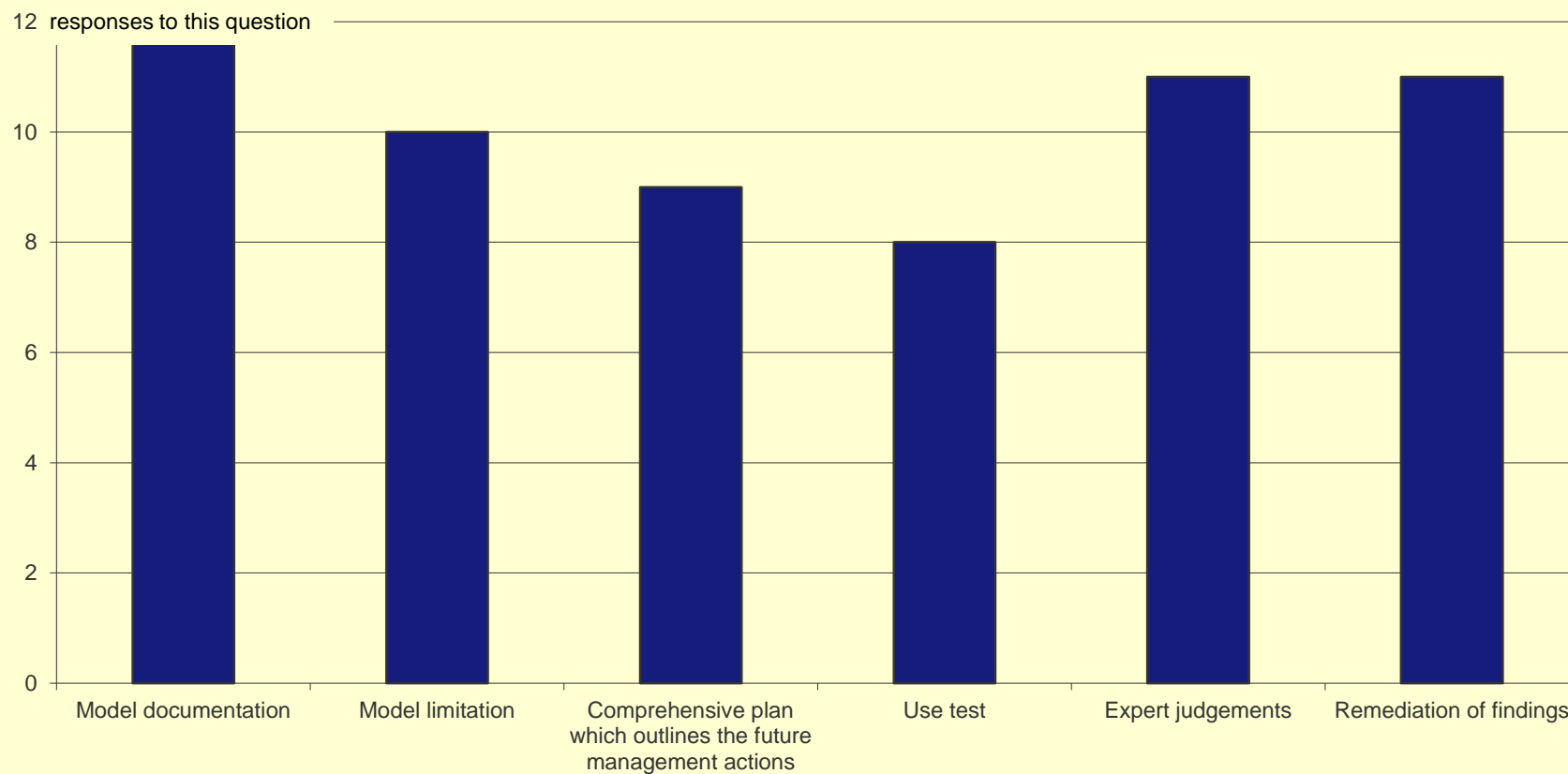


# Evaluation of SCR

## Q17

### Particular items:

If you ticked the 'documentation' box, which items in particular do you consider should be addressed by a model standard?



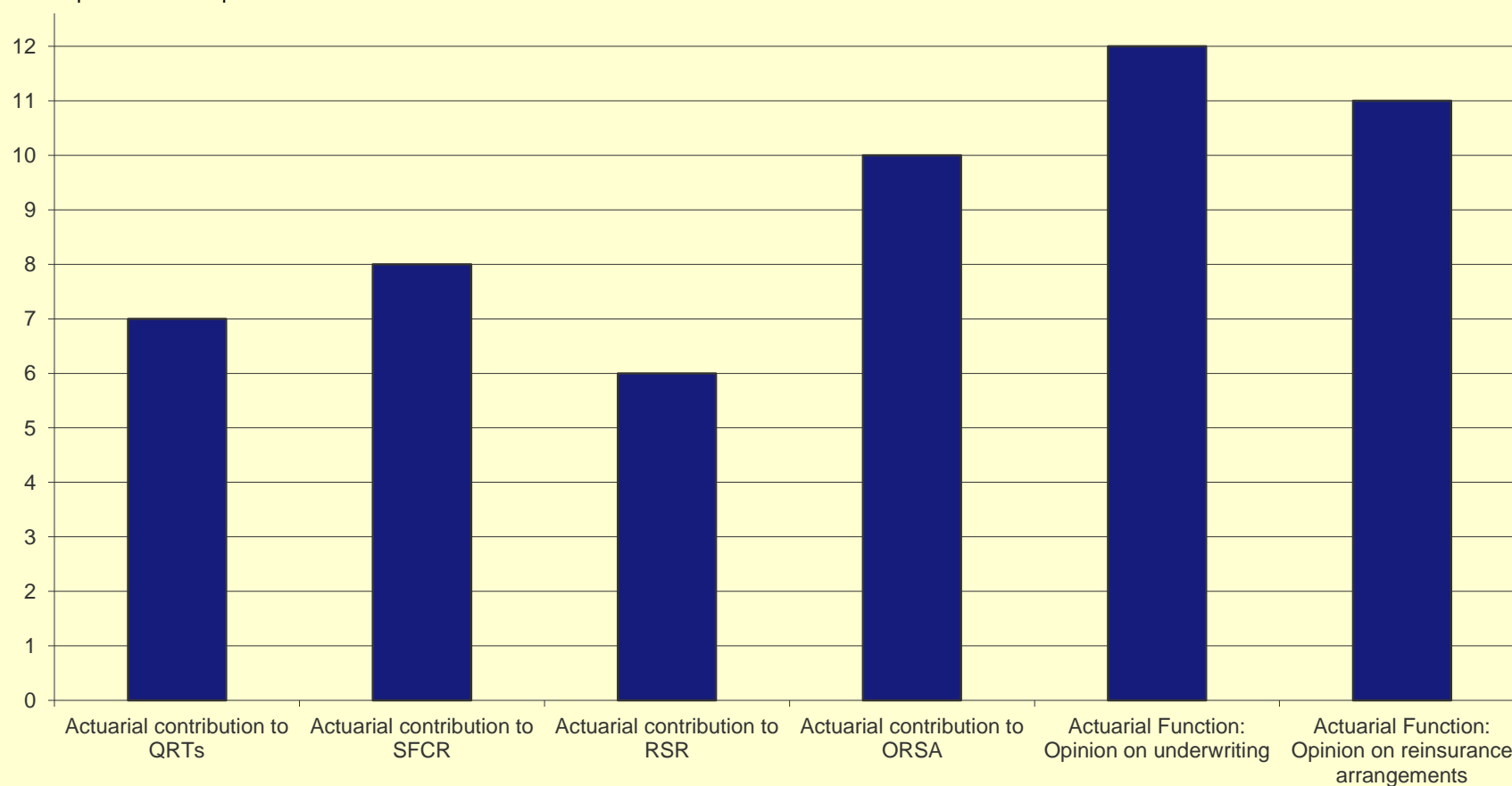


## Q19

### General items:

Which items should be addressed by a model standard?

13 responses to this question

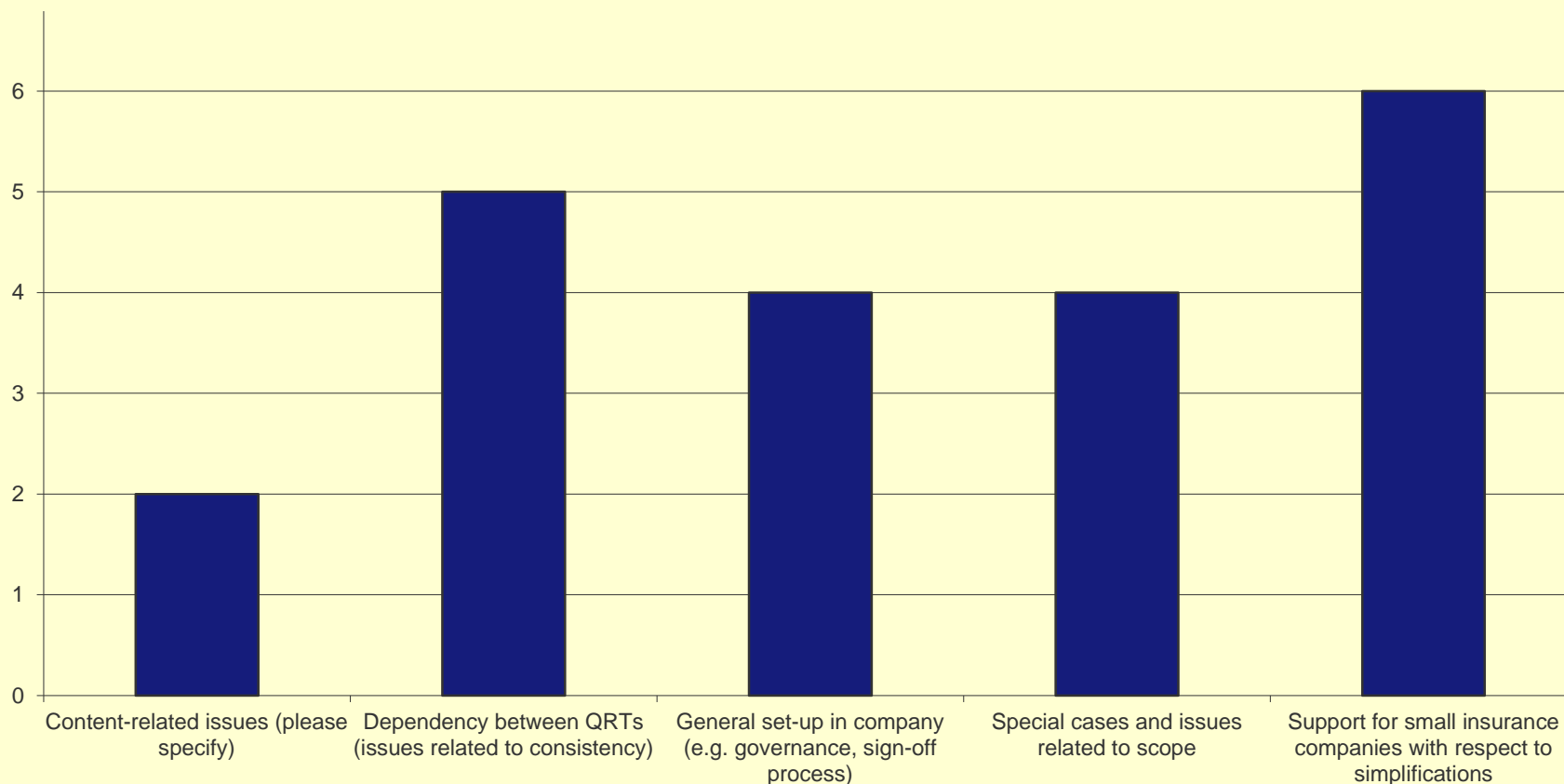


## Q20

### Particular items:

If you ticked the 'QRTs' box, which items in particular do you consider should be addressed by a model standard?

7 responses to this question

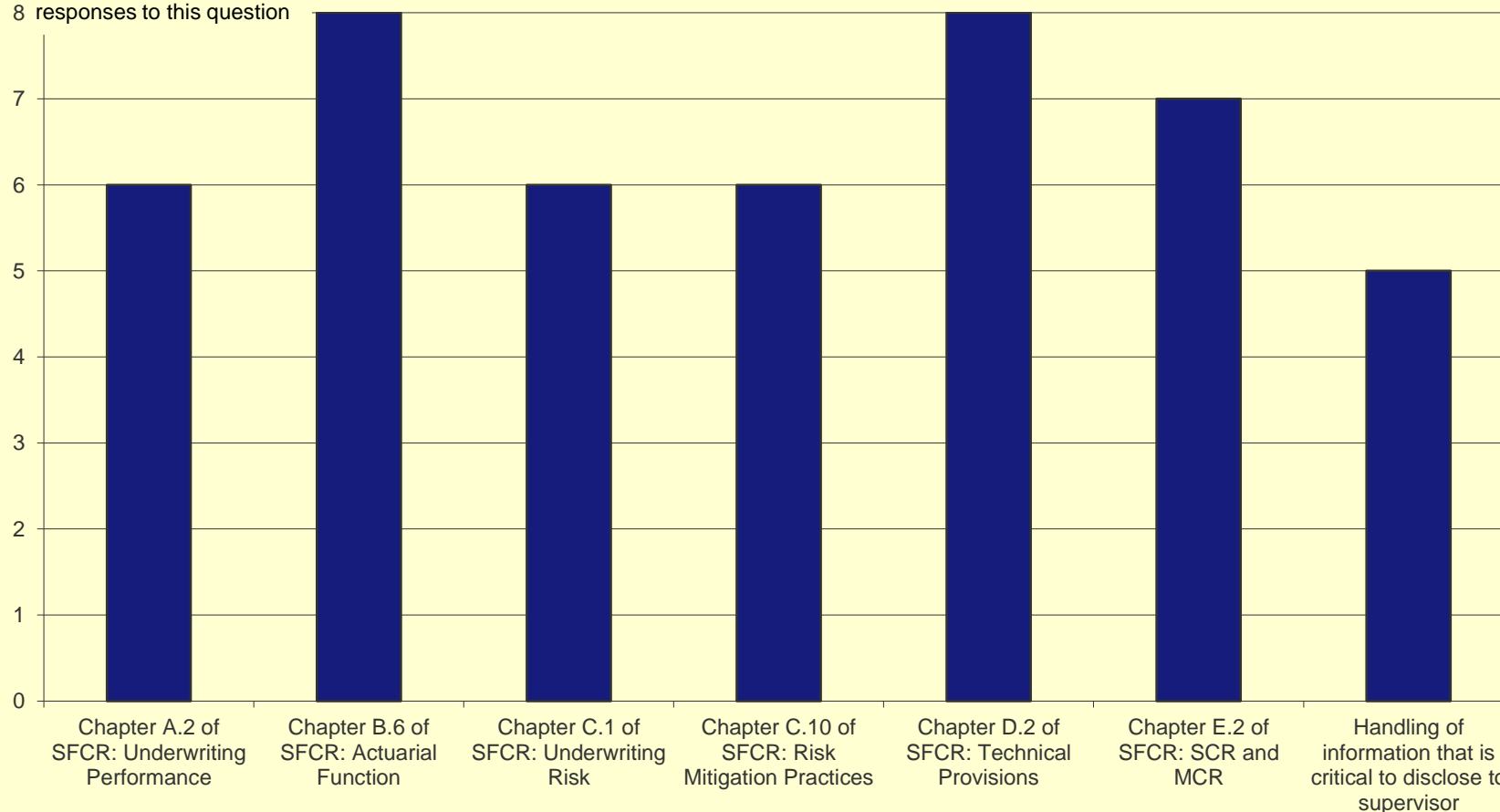


## Q21

### Particular items:

If you ticked the 'SFCR' box, which items in particular do you consider should be addressed by a model standard?

8 responses to this question



## Q22

### Particular items:

If you ticked the 'RSR' box, which items in particular do you consider should be addressed by a model standard?

