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MINUTES
of a meeting of the
STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE
held in Nicosia, Cyprus
on Thursday, 10 March 2016

PRESENT:

Committee:

David Martin (Chairman)	Institute and Faculty of Actuaries
Peter Prieler	Aktuarvereinigung Österreichs
Karel Goossens	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Peter Melchior	Den Danske Aktuarforening
Esko Kivisaari	Suomen Aktuaariyhdistys
Thomas Béhar	Institut des Actuaires
Dieter Köhnlein	Deutsche Aktuarvereinigung
Gábor Hanák	Magyar Aktuárius Táraság
Yvonne Lynch	Society of Actuaries in Ireland
Anne Sundby Magnussen	Den Norske Aktuarforening
Lutz Wilhelmy	Association Suisse des Actuaires
Ad Kok	Chief Executive
Michael Lucas	Secretary-General

Members of the General Assembly and other Committees:

Mike Poulding	Channel Islands Actuarial Society
Dimitris Dimitriou	Cyprus Association of Actuaries
Michael Renz	Deutsche Aktuarvereinigung (AAE Past Chairrperson)
Philip Shier	Society of Actuaries in Ireland (AAE Chairperson)
Ana Maria Martins Pereira	Instituto dos Actuarios Portugueses
Malcolm Campbell	Svenska Aktuarieföreningen

Observers:

Emma Gilpin	Institute and Faculty of Actuaries
Ann Muldoon	UK Financial Reporting Council

Apologies for absence:

Detelin Koitchev	Bulgarian Actuarial Society
Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Jiři Fialka	Ceská Spolecnost Aktuáru
Kati Hoop	Eesti Aktuaaride Liit
Marianna Papamichail	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Gennaro Olivieri	ISOA (Italy)
Inga Helmane	Latvijas Aaktuãru Asociãcija
Rokas Gylys	Lietuvos Aktuarijų Draugija
Matthias Foehr	Association Luxembourgeoise des Actuaires
Jean-Paul Shipley	Malta Actuarial Society
Ron Hersmis	Het Koninklijk Actuarieel Genootschap
Wojciech Mojzuk	Polskie Stowarzyszenie Aktuariuszy
Razvan Carstoiu	Asocitatia Romana de Actuariat
Igor Zoric	Udruženje Aktuara Srbije
Maria Kamenarova	Slovenská spoločnost' aktuárov
Jernej Merhar	Slovensko Aktuarsko druśtvo
Xavier Plana	Col.legi d'Actuaris de Catalunya
Luis Sáez de Jáuregui	Instituto de Actuarios Españoles
Kerem Özdağ	Actuarial Society of Turkey
Antonina Redka	Society of Actuaries of Ukraine

1. Opening of the meeting and adoption of the agenda

1.1 The Chairman welcomed members to Nicosia, particularly those for whom it was their first meeting, and thanked the Cyprus Association of Actuaries for hosting the meeting.

1.2 The agenda, as circulated, was adopted and a copy is attached to these minutes as **Annex I**.

2. Minutes of previous meeting

The Minutes of the meeting of 24 September 2015, held in Paris, were confirmed subject to the following amendments –

- inclusion of Lutz Wilhelmy under the list of Apologies
- addition of the words "in respect of these other aspects" at the end of minute 7 (Accreditation of member associations)

3. Actuarial Standards

3.1 Gábor Hanák presented a report from the Standards Project Team (SPT), highlighting the following points –

- adoption of ESAP2 by the General Assembly, and promulgation to member associations; the Committee endorsed Gábor 's thanks to Dieter Köhnlein and the drafting team for their hard work in delivering ESAP2.

- comments received on the Exposure Draft of ESAP3 which showed a significant degree of pushback: this item is discussed separately at minute 3.2 below.
- a note from Ron Hermis had been received encouraging development of Risk Management Model Standard ESAP4.
- progress with other ESAPs, in particular ESAP5 where it is proposed to undertake a survey of member associations to ascertain the different interpretations and requirements of "independent review" under different jurisdictions: it was noted that there is some overlap here with the work of the Roles of Actuaries task force which might be leveraged.
- a proposal to submit comments on ISAP1A from AAE: a draft response is in preparation and will be circulated to the Committee for review and sign-off by the Chairman. It was noted that, if ISAP1A is adopted by IAA, we will need to revise ESAP1.
- an updated work-plan for the SPT.

3.2 Gábor described in more detail the feedback on the Exposure Draft of ESAP3. He pointed out that, while some respondents were happy with the ED, a number of significant concerns had been expressed which suggested that major changes were required. Key issues to be addressed included -

- scope is not clear; there is confusion about when / to whom / to what work various parts apply; in particular, it was felt that the ED does not address well enough its application in the case of an individual actuary acting as a member of a multi-disciplinary team, possibly in a minor role;
- too much material on non-core and too little on core actuarial work for some respondents;
- not sufficiently principles-based - too burdensome and detailed; difficult to apply in a proportionate way (although there are comments requesting more details as well)
- contains a mixture of hard requirements ("should"s, or mandatory provisions) and soft guidance ("may"s)
- difficult to enforce - it may be better to have more of a distinction between requirements and guidance

There was considerable discussion over the issue of distinction between "must", "should" and "may". Comments included –

- is it appropriate (or not) for AAE to prepare model standards in such a way which, if adopted by a standard setter, would REQUIRE actuaries to do more than the regulations require?
- there may be areas where the regulations are not deemed strong enough
- actuaries need "strong" standards to compete for work with others and for reputation reasons.
- "must" = a regulatory requirement which need not be repeated in a model standard
- UK FRC usage of "must" only to set context of standard and to indicate how users should comply with a regulation

- use of the softer “should” or “may” can convey less assurance of quality
- ESAPs are model standards and must/should/may may change when adopted by local associations
- EIOPA supports the development of strong standards
- there are differences in view among AAE, EIOPA and IASB over standards and their relative strengths and weaknesses.

The Committee agreed that the SPT and the ESAP3 task force should revise the ED, retaining the current structure, but taking account of the comments received – particularly to distinguish between requirements and guidance. This will mean the transfer of some material from the ESAP to the EAN and, to facilitate this, the two working groups will proceed in parallel. At the same time, links between ESAP3 and ESAP1 will be strengthened in order to ensure consistent usage of must/should/may.

Gábor pointed out that the ESAP3 task force believes it is important that sufficient informal consultation has taken place with member associations in order to achieve a shared view across Europe of what the ESAP should be include before another ED is issued for formal consultation. He outlined the proposed timetable for this informal consultation which he hoped would allow a revised ED to be submitted to the Committee at its next meeting, in September. If approved at this meeting, there would follow a three month formal exposure period and discussion of the responses to this at the Spring 2017 meeting. Thereafter, if no major issues had arisen, there would be an electronic vote by the General Assembly for adoption of the standard. The Committee approved this proposed timetable, and emphasised the need for appropriate feedback at each stage to those submitting comments.

3.3 Gábor reported a significant amount of material for the EAN has already been developed. As already reported above, one of the main issues to be addressed is the transfer of material considered to be guidance from the ESAP3 ED to the EAN. He pointed out that the overlap in membership of the ESAP3 task force and the EAN drafting team, both of which were led by David Hare, ensured that the work will be well coordinated.

3.4 The Committee considered a draft questionnaire for monitoring adoption of ESAPs: this was approved subject to minor re-wording –

- to ensure consistency with the preface of the corresponding ESAP,
- to include the words “substantially consistent with” instead of “already covered by”,
- to include reference to consistency with ISAP1 (for the question relating to ESAP1)
- to add the option in subsequent questionnaires to indicate if there is any change from the previous return submitted

3.5 The Committee considered the IAA’s decisions on repositioning of ISAPs and agreed to follow the IAA’s changes in wording adopted in sections 1 and 2 of the report (model standards are not binding on any actuary) in ESAPs’ prefaces, and on the “landing” web page. At the same time it was agreed that ESAPs should be made more accessible from the

Home page of the AAE web site. No disclaimer “tick box” (section 4 of the report) would be needed for ESAPs and Ad Kok will review the present general disclaimer on the AAE website, in the light of these developments.

3.6 Yvonne Lynch referred to Annexes IIe (i)-(iv) of the agenda which were circulated only shortly before the meeting and which set out the responses submitted to the Exposure Draft of the Code of Conduct. She identified the following areas where substantive comments had been received and there was discussion on these as below –

- public interest – a wide-ranging discussion by the Committee confirmed that the understanding of this concept differed widely among jurisdictions: while one or two members suggested that reference to public interest be removed, there was a stronger view that such a step presented a negative signal and potential reputational risk for the profession.
- quality assurance – clarification is required
- whistle-blowing – should this be included without appropriate caveats on protection, or left only in the Q&A? Perhaps -
    - leave for member associations to decide whether to include in their codes?
    - should there be reference to whom the whistle should be blown?
    - should there be more caveats in the Q&A?
    - should it be explained that whistleblowing is not the same as “speaking up”?
- status of Q&A – clarification of purpose is necessary

It was agreed that the task force will revise the draft Code and Q&A in the light of the comments received for discussion at the Committee’s next meeting, perhaps with informal consultation as appropriate between times. A decision will be taken at the next meeting on whether a new Exposure Draft is required. It was noted that implementation of ISAP1/ ESAP1 and the revised Code of Conduct might be linked issues for some associations.

4. Professionalism issues

4.1 ***UK Financial Reporting Council***

Ann Muldoon’s report on the work of the UK Financial Reporting Council was noted. In her presentation she mentioned a possible investigation into the effect of low interest rates, in collaboration with 2 other UK regulators - TPR and PRA.

4.2 ***Mutual Recognition***

The Chairman reported that, following further investigation, he had confirmed that, in all but one member state on the relevant EC website, the national regulator is the ‘competent authority’ within the terms of the EU Regulations on the Recognition of Professional Qualifications. Only in the UK are responsibilities delegated to the national professional actuarial association (IFoA).

David also reported that the AAE Mutual Recognition Agreement (MRA) is due for its five-yearly review in 2016. He noted that the formal requirement is for each member association

to submit a report on implementation and use of the MRA: however he believed this to be too onerous and proposed instead to adopt the approach used previously of asking associations to answer a short questionnaire. The Committee approved this proposal: and David will circulate a draft of the questionnaire to the Committee and the Officers for comments. Once completed responses have been received from associations, David will summarise them and submit a report to the Committee. It was also agreed that the MRA should be revised to amend the requirement for a formal report from each association.

4.3 ***Continuing Professional Development***

Malcolm Campbell referred to the recent report by an IAA task force on CPD requirements for full member associations (Annex IV on the agenda for the meeting which became available too late for circulation in advance and is attached to these minutes). He emphasised that this report and, in particular, the issue of requiring associations to introduce mandatory CPD, will be considered at the forthcoming meeting of the IAA Executive Committee in St Petersburg. It was agreed that the Committee should defer discussion of this topic until it has been considered in IAA.

5. Role of the Actuary / Actuarial Function

Karel Goossens referred to the report from the Roles of Actuaries task force, highlighting –

- difficulties in finding sufficient volunteers to take forward in full the ambitious programme and ToR
- successful work has been delivered on
    - Role of the Actuary under Solvency II and the lack of harmonization, Role of the Actuary in Risk Management under Solvency II
    - Mini survey and survey on the Roles of Actuaries under Solvency II and the presentation of the results to various stakeholders and conferences
    - Position paper on the Independent Review under Solvency II and discussion of it with FEE

There had been no real input in other areas such as pensions and independence. It was noted, however, that there is scope under IORP2 for actuaries' roles, including Risk Management.

It was noted that there is some overlap with the Standards Project Team in relation to independent review and in Risk Management. There is a need for educational and best practice material on Risk Management, and it was agreed to set up a meeting of representatives from member associations who are active in this area. Initiatives in Germany, France, UK, and Ireland were mentioned. The AAE's IFR Committee is pursuing other issues on its agendas so this topic could be moved forward either by the task force or, if the need arose, by a separate group.

6. Consumer protection

6.1 Michael Renz drew attention to the draft Terms of Reference proposed for the Consumer Protection working group: these were approved subject to including –

- clearer definition of governance procedures
- observation of EIOPA activity on consumer protection
- coordination of responses to consultations (then subject to Officers' final decision)
- ability to draw on resources from other AAE committees as appropriate

It is also important that the working group should be aware of any direct responses by member associations to EIOPA/European Commission consultations on consumer protection, and of relevant contacts in member associations.

6.2 The Committee noted the final version of the AAE paper on Conduct Risk Indicators which had been prepared at the request of EIOPA.

7. Global ERM qualification

Malcolm Campbell reported that a recent application by the Belgian association for award signatory status is under consideration.

8. Accreditation of member associations

The Chairman confirmed that it has been agreed in principle that IAA will accept accreditation of European associations which comply with the AAE's education syllabus. This will be subject to review following eventual acceptance of the new IAA syllabus, due to be discussed further in St Petersburg, and completion of the review of the AAE syllabus. (Various outstanding issues on the IAA Education syllabus discussions were noted). Other aspects of accreditation (code of conduct, discipline, due process for standards, etc) will be undertaken by the IAA, and AAE will accept IAA accreditation of European associations.

9. AAE and IAA – Issues of mutual interest

The Chairman pointed out that the 60-day IAA Council agenda for St Petersburg which was circulated to the Committee is a draft. He drew attention to the main items of mutual interest on this agenda -

- admission of Macedonia as a full member – the association may wish to consider applying for membership of AAE
- report on CPD requirements
- education syllabus.

Philip Shier reported that the Officers are in discussion with Malcolm Campbell (in his capacity as IAA President) concerning the establishment of more formal links between IAA and AAE. Malcolm added that IAA have identified a number of areas where better communication and more formal liaison would be of mutual benefit in order to ensure that there are no gaps or overlap on key actuarial issues. Where the AAE has a clear position on

an issue, such an arrangement allows its views to be made known. The strength of a common position was noted with respect to the (possibly now former) joint approach of the North American Associations. Philip and Malcolm hoped to achieve the basis for an agreement to be presented at the Barcelona Annual Meeting. Gábor Hanák noted that there is already a liaison agreement in place between the AAE Standards Project Team and IAA's Actuarial Standards Committee.

10. Review of Committee Priorities

The Chairman referred to the current list of Committee priorities, and indicated that he will update this to reflect progress and new activities over the past six months, including MRA, standards, Code of Conduct, Consumer Protection, Roles of Actuaries. A number of points of minor detail were noted, and members of the Committee were invited to submit and other aspects to the Chairman as soon as possible. This will then provide input to Philip's overall review of AAE strategy, objectives and activities.

11. Links with other organisations)

11.1 ***EIOPA***

It was noted that a meeting was held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 18 December 2015 (not 2016 as shown on the report of the meeting).

11.2 ***European Parliament***

It was noted that a meeting was held between Officers of AAE and selected MEPs and/or their advisers at the European Parliament in Strasbourg on 16 December 2015. In response to Gábor's caution about dialogue with politicians, Esko pointed out that the European Parliament is increasingly involved in areas of interest to the actuarial profession.

11.3 ***European Commission DG FISMA***

A meeting arranged with the Head of the insurance and Pensions Unit of DG FISMA was cancelled at their request. However there was instead a short but constructive meeting with the Head of Commissioner Hill's cabinet.

12. Future Annual Meetings and Spring Meetings

12.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

- 2016 – Barcelona, Spain – 23 September 2016
- 2019 – Vienna, Austria – *date to be confirmed*

Offers to host future Annual Meetings from 2017 and 2018 were urgently requested, in time for the Annual Meeting in Barcelona.

12.2 ***Spring Meetings***

Future Spring Meetings were confirmed as follows –

Standards, Freedoms & Professionalism / Insurance Committees
2016 – Nicosia, Cyprus – 10/11 March 2016

Offers to host future Spring Meetings from 2017 onwards were urgently requested, in time for the Annual Meeting in Barcelona.

13. Information Exchange

The Chairman drew attention to information from UK and Germany (attached to these minutes as **Annex II**). Ad Kok pointed out that the web site includes a page for news from associations.

14. Any other business

ECA 2016

Ad referred to the current low number of registrations for ECA 2016 and requested assistance from associations to bring it to the attention of their members through their web sites, newsletters and other internal communications.

15. Date of next meeting

The next meeting of the Committee will be held in Barcelona on 22 September 2016, at the invitation of Col.legi d'Actuaris de Catalunya.