Actuarial Association of Europe

Strategic Review 2016

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Report from the Task Force Strategy Review to the Standards, Freedoms and Professionalism Committee.

The Task Force Members

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Kurt Wolfsdorf	Deutsche Aktuarvereinigung
Kristoffer Bork	AAE, Vice Chairperson

Scope of the proposals

- The proposals relate to two main topics;
  - the Strategic Statements (Vision and Mission) and the Strategic Objectives (i.e. what the AAE should focus on)
  - the Governance Structure (i.e. how the AAE should organize itself to optimize the effort)

- These two topics are presented in two separate sections on the next slides

Proposals re the Vision and Mission

- The Vision still applies, however, some minor revisions seem appropriate.

- The Mission is very broadly formulated and needs a more thorough review.

- Taken from the discussion on the role of the AAE, the Mission should be reformulated to reflect that the AAE should focus on matters that are "European" by nature, and most of all
  - relations with European institutions
  - actuarial issues relating to European regulation
  - the development of the actuarial profession of Europe
  - the European Mutual Recognition Agreement
  - for the individual members of the MA's to create a mutual sense of belonging to a "European Community of Actuaries"

Proposals regarding the SOs

- It is a generally shared reflection that SO1 – SO5 are so broadly formulated that they provide little direction in terms of prioritizing the effort of the AAE
- Subsequently, the MAs have expressed a wish to narrow the scope of the combined SOs in order to focus on the most important issues
- Moreover, it seems to be a firm conviction that SO1 is the most important one, and especially SO2, SO4, and SO5 are primarily meant to support SO1
- The Mutual Recognition Agreement supported by SO3 is a vital part of the AAE responsibility
- Based on these observations, the Task Force proposes that the Strategic Objectives are to be reformulated into three new SOs presented in prioritized order

Proposals regarding the SO1

- SO1 is still valid and SO1 describes the most important focus of the AAE.

To avoid misunderstandings, "EU institutions" could be replaced by "European institutions" to emphasize that AAE is not only open to MAs of EU countries and to ensure that e.g. Insurance Europe and other organizations, not exclusively for EU member states, are included.

Proposals for a new SO2

- The existing SO3 should be rephrased and is proposed to become the new SO2

- The title could be "Promote Professionalism" or something similar, and the task force proposes that the content should include to:
  - Handle the Mutual Recognition Agreement
  - Maintain the Code of Professional Conduct
  - Maintain the European Core Syllabus
  - Common rules on Continuing Professional Development (CPD)
  - Develop model standards of practice reflecting EU regulation (leaving the IAA to prepare "general" model standards)
  - Support local MAs in professionalism issues
  - Support local MAs in improving the recognition and the development of the Actuarial profession

Proposals for a new SO3

- The title of SO3 could be to "Promote a European Community of Actuaries" or something similar, and the content would include but would not be limited to
  - Providing a forum for exchange of information and ideas
  - Continuing the European Congress of Actuaries (ECA)
  - Creating fora for meetings
  - Networking

- This new SO3 should focus on AAE's ability to create awareness of and internal value for the MAs, and especially for the individual members of the MAs.

Proposals regarding the link with IAA

- More emphasis is to be given to the fact that there should only be overlap between the activities of the AAE and the IAA when fully justified by acting in line with one of the SOs

- Some IAA activities could be endorsed by the AAE such as
  - Maintain a Code of Professional Conduct
  - Maintain a Core Syllabus and a CPD structure
  - Accreditation
  - Develop Standards of Actuarial Practice of general nature

- However, the AAE should be aware that smaller member associations have much weaker links to the IAA than to the AAE (because of the range of topics and of (travel) costs) and the AAE could support these MAs by acting as a link between the IAA and smaller AAE member associations

Other proposals on activities to pursue

- Demand for the following activities has come from a wide range of MAs. However, the Task Force does not consider them sufficiently fundamental or specific to Europe to warrant additional SOs.

- Improved internal communication is requested
  - The AAE needs to cooperate with the MAs on improving the effectiveness of the information flow – in particular to improve awareness of the AAE's achievements among MAs and individual members

- Further, the following areas of development seem to be relevant for the AAE to focus on
  - Risk management
  - Consumer protection (primarily the technical part)
  - Wider fields, e.g. Data security / Data protection / Artificial Intelligence
  - Data Analytics
  - Non-regulated areas
  - Conduct risk
  - Industrial risk

Proposals relating to:

GOVERNANCE

Current statutes are attached as Annex 5

Statutes: The Role of the Board (1/3)

- The statutes are only defining the composition of the Board but do not define the role of the Board.

- It means that all powers belong to the General Assembly. The terms of reference for the Board have been defined in December 2010 but have not been formally approved by the General Assembly.

- The Task Force proposes that, to improve the efficiency of the AAE, the General Assembly should formally delegate some of its powers to the Board.

- Further, the Task Force proposes that the role of the Board should be formalized and the terms of reference of the Board should be (re)defined and formally approved by the General Assembly

Statutes: The Role of the Board (2/3)

- The role of the Board should be inspired by the current terms of reference
  - *Driving the implementation of Strategy should come first for this role. For that role, a formalized oversight on committees makes sense. Of course, oversight should not imply an overload of reporting to the detriment of working*.

- The Task Force proposes that the list of committees should be removed from the Statutes
  - *The adaptation of the structure of operation should be proposed by the Board but should continue to be approved by the General Assembly. The objective is to gain in flexibility.*

- The Task Force proposes that these changes are to be implemented as soon as possible.

Statutes: The Role of the Board (3/3)

- The Task Force proposes that, every year, the Board proposes and the General Assembly decides on strategic initiatives and corresponding annual KPIs for the Board itself as well as for each committee.
  - *The strategic initiatives should facilitate annual operational goals for the AAE in order to support the Strategic Objectives*

- The Board should also report quarterly to the member associations on the implementation of the strategy by giving an account of the Board's and the committees' actions
  - *Organizing and improving the information driven to the member associations was a repeated need of the member associations.*

Statutes: Other questions

- Voting rights: No changes are proposed. The Task Force has not identified a widespread wish for changes

- Nominations Panel: The Task Force proposes that the composition of the Nomination Panel and the approval of the terms of reference by the General Assembly should be added to the statutes

- General Assembly: As the voting rights of a member association are carried by the “Membre Titulaire”, the Task Force proposes to allow only the “Membres Titulaires” to have a seat in “the inner circle” during the General Assembly. While still allowing “Membres Suppléants”, observers or other invited guests to sit in “the outer circle”. This would improve the oversight and efficiency of the General Assembly.

- Consensus approach: The Task Force proposes to maintain the - overall appreciated - consensus approach

Composition of the Board (1/2)

- The Board currently has 9 officers:
  - *Chairperson / Vice Chairperson / Immediate Past Chairperson*
  - *The Honorary Treasurer*
  - *The five committee chairs*

- Many MA's have requested changes to the Board's composition in order to strengthen the MA influence and to put additional emphasis on the Strategic Objectives

- The Task Force has not reached consensus on a specific proposal, but the issue should be addressed by the Standards, Freedoms and Professionalism Committee
  - *The Task Force would encourage to keep the size of the Board limited to a manageable size and keep the committee chairs around the Board table even if they are no more voting members.*
  - *The Board should reflect also a good representation of associations who are effectively contributing through volunteers to the actions done by AAE, in particular the large ones.*

Composition of the Board (2/2)

- The Task Force has drawn examples of what could be possible changes.

- A compromise could be found between the following three scenarios :
  - *Scenario A : No change*
  - *Scenario B : No committee chairs + x new members*
  - *Scenario C : Enlarge the Board with y new members*

- There is an need for the tasks performed by the Honorary Treasurer. If the title disappears during the change, the tasks should be formally attributed to one of the Board members.

- The question of an independent auditing committee was raised, but no conclusion has been achieved on this issue.

Other suggestions (1/2)

- The Task Force proposes that the format of the AAE meetings could be adjusted:
  - *The Spring meetings should remain unchanged.*
  - *Fall meetings could follow the same lines as spring meetings in order to increase productivity/efficiency of the Committee meetings.*
  - *The General Assembly would then become a separate meeting, disconnected from Committee meetings.*
  - *The General Assembly could be held in Brussels, potentially together with the Presidents' Meeting. As a result, the AAE could capitalize on inviting European stakeholders (from the Commission, EU Parliament,...).*
  - *Alternatively, the general meeting could continue to take place together with the Fall meetings on a late Friday afternoon before the gala dinner.*
  - *No consensus was achieved regarding a specific proposal on the most suitable time and place for the General Assembly meeting.*
- Arguments for changing the meeting format:
  - *Sometimes it is difficult to find MAs to host the annual meeting*
  - *To save costs in relation to the General Assembly (and dinner)*
  - *To be able to focus on the Committees at the Spring and Fall meetings*

Other suggestions (2/2)

- The Task Force recognizes the Committees' right to organize themselves. Each association has the right to nominate a representative for each Committee. It was suggested that committee chairs, if they wish, could be helped by a core team of volunteers, e.g. vice-chairs or very active committee members, to drive the committee actions.

- Committee structure: The Task Force recognizes the Board's right to suggest new Committees to the General Assembly. However, splitting the Insurance Committee into a Life and a Non-Life committee and addressing ERM, Banking & Finance, Consumer protection, Data analytics in new committees was questioned
  - *The Task Force believes that keeping the voluntary work in a limited number of Committees makes it easier for many smaller and medium sized MAs to contribute to the AAE*

Proposals relating to:

NEXT STEPS

Agreed upon at the Standards, Freedom and Professional Committee meeting, 22 September 2016

Views from the SFPC meeting (1/3)

Views expressed by UK, Germany and France:

Proposal on strategy and governance

- Eliminate overlap with IAA
- Board - delegated authority from General Assembly
- 9 members - Chair (president, president elect, immediate past president)
- Plus 6 nominated by Nomination Committee and elected by General Assembly
  - Committee Chairs & Honorary Treasurer eligible but unlikely to have majority on board
- Other Committee Chairs are invited to attend Board meetings, but not vote

Views from the SFPC meeting (2/3)

Views expressed by UK, Germany and France (cont.):

- General Assembly guidelines to Nomination Committee
  - Balance of representation of MAs (eg size)
  - Chair of SFPC considered
  - Diversity (area & gender)
- Collective responsibility
- No guaranteed places for any MA
- Likely that DAV, IFoA & Institut des Actuaires would be able to produce eligible candidates for the Board and would have places
- These 3 MAs will be involved at the highest level.

Views from the SFPC meeting (3/3)

Draft notes

- Sweden:
  - How to run the General Assembly should not be in the statutes
  - Committee chairs should remain on an expanded board
  - The IAA EC of 11 members has the absolute max no. of members in order to have efficient meetings
- Switzerland:
  - It is a good step forward to have a properly constituted board with a defined role
- Hungary:
  - Need to acknowledge 3 FMAs constitute 3/4 of all members but it is important that they buy into the fact that they need to ensure a supply of volunteers in good numbers
- Portugal:
  - They see no need to change, but accept wish of others to do so.- concern over extent of power to be left with Nominations panel.

Proposed Next Steps

- The SFP Committee has accepted Task Force's work and proposes that the General Assembly would do the same

- The SFP Committee proposes to establish a New Task Force
  - A two weeks period should be granted to members of the SFPC to reflect and to comment on the task force proposal
  - 2 work streams - Strategy and Governance
  - Use input from Presidents, SFPC and GA meetings
  - Possible seat on IAA strategy review group
  - Ambitious target of 1 year to implementation
    - Or, a little less ambitious, well before the completion of La Sacrada Família!