ACTUARIAL ASSOCIATION OF EUROPE
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Notes of a meeting of the Standards, Freedoms and Professionalism Committee
Held on Friday 12 May 2017 from 09.30 – 17.00 in Reykjavik

MINUTES

Participants

Karel	Goossens	Belgium	Alternate
Kristoffer	Bork	Denmark	Alternate
Esko	Kivisaari	Finland	Member
Thomas	Béhar	France	Member
Esko	Kivisaari	Finland	Member
Dieter	Köhnlein	Germany	Member
Birgit	Kaiser	Germany	Observer
Michael	Renz	Germany	Observer
Wilhelm	Schneemeier	Germany	Observer
Gabor	Hanak	Hungary	Member
Steinunn	Gudjunsdottir	Iceland	Member
Helgi	Thorsson	Iceland	Observer
Björn Z.	Ásgrímsson	Iceland	Observer, FSA Iceland Supervisor
Yvonne	Lynch	Ireland	Member
Gunn	Albertsen	Norway	Member
Helge-Ivar	Magnussen	Norway	Observer
Wojciech	Mojzuk	Poland	Member
Jose	Mendinhos	Portugal	Member
Florin	Ginghina	Romania	Member
Maria	Kamenarova	Slovak Republic	Member
Lutz	Wilhelmy	Switzerland	Member
Jan	Kars	The Netherlands	Member
David	Martin	United Kingdom	Chairperson
Emma	Potter	United Kingdom	Member
Nick	Dumbreck	United Kingdom	Observer, member of ISRP TF
David	Hare	United Kingdom	Observer, member of ESAP3 TF
Emma	Gilpin	United Kingdom	Observer
Ann	Muldoon	United Kingdom	Observer, FRC
Ad	Kok		AAE Chief Executive
Monique	Schuilenburg		AAE secretariat

1 OPENING OF MEETING AND ADOPTION OF THE AGENDA

including any notice of confidential matters for item 17.

The Chairman welcomed members to Reykjavik, particularly those for whom it was their first meeting, and thanked the Icelandic Association for hosting the meeting. Before the meeting began representatives of this Association said a few words and presented gifts.
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All participants introduced themselves. Apologies were received from Gennaro Olivieri. No further (confidential) matters were noted. The agenda -attached **as annex 1** - was confirmed.

2. MINUTES OF PREVIOUS MEETING

2.1 The minutes were noted and confirmed.

2.2 No further items were brought forward.

3. ACTUARIAL CODE AND STANDARDS

3.1 Gábor Hanák gave a short update on the report submitted and which was attached to the agenda.

3.2 ***ESAP3***

David Hare gave an update on the status of ESAP3, his presentation is attached as **Annex 3.2** for reference. This covers all issues with regard to the correct wording – also being in line with the IAA – based on responses received and the changes that were consequently made to the ED2.
It was decided to carry out an electronic vote of the General Assembly within the next weeks in order to have agreement prior to the General Assembly in Copenhagen. It was noted that the correct governance for conducting an electronic vote will be taken into account. The SPT will prepare the document upon which the electronic vote will be based. A digest of the full report will be prepared by the SPT and will be posted on the website.

3.3 ***ESAP5***

Wolfgang Deichl, chairperson of the ESAP5 task force, speaking via a phone link, gave an update on the process and status of the survey conducted. The results were attached to the agenda. While the majority of the associations responding were in support, fewer than 25% weighting by number of actuaries in responding associations were in support It was recognized that the participation was less than 50% of associations and that the survey may not give an accurate reflection, since some (larger) associations did not submit a response.
The TF asked the meeting for a decision whether to take the development of ESAP5 forward.
In the discussion that followed concerns were expressed regarding the resources necessary to draft a standard, considering that the need has not become evident from the results of the survey. It was thought by some, however, that EIOPA would welcome such a standard.
It was agreed to discuss the topic again in Copenhagen. The ESAP5 TF was requested in the meantime to contact the associations that did not respond, as well as those that did respond but whose response needed further clarification.
It was decided that the ESAP5 Task Force would work out a set of principles upon which this standard would be based.

The SPT has expressed a need for more volunteers to staff the SPT. All are requested to confer with their members to follow up on this need.

3.4 ***European Actuarial Note (EAN) to accompany ESAP3***

Regarding the European Actuarial Note (EAN) to accompany ESAP 3, David Hare explained the reasons for the delay in drafting the EAN. Esko confirmed that at the IC meeting nothing critical came up when discussing the EAN. It will be taken forward by the IC.
The request for volunteers was responded to by Jan Kars, who confirmed that the Dutch will contribute and perhaps even take the lead.

3.5 ***Arrangements for Monitoring Adoption of ESAPs by member associations***

David gave some feedback on the process currently in use by the IAA for ISAPs. The IAA requests Member Associations annually to give information on the current number of members. The process of adoption of ISAPs is included in this assessment. This process is now under review in the IAA with a rethink of how the data is collected and of the nature of the questions – making them "open" rather than "closed". It was suggested that this is monitored by the AAE. Since Birgit Kaiser is involved in both IAA and AAE, she agreed to keep the AAE updated on developments.

3.6 ***Exposure Draft of a revised Code of Conduct***

Yvonne Lynch gave an update on the report submitted with the agenda.
It was stressed that this code is to be considered as a model code. Member Associations are free to add any other issue they wish to include, provided this is consistent with the model code.
The discussion that followed focussed on sufficient consistency and the wording to be in line with the wording used in the Vision (public interest vs well being of society).
Considering the observation of the Ethics committee of the Institut des Actuaires, that committee was requested to review the changes made to section C.1 in the proposed Code of Professional Conduct.

It was decided to submit the code for final review to the MAs within the next 4 weeks.
Yvonne will update the document to include the revisions discussed in the meeting.
The working group recommended that the revised Code will be submitted to the GA for approval and will recommend the implementation to take place by end of 2020.

4. **STRATEGY REVIEW**

The interim report and the Terms of Reference of the ISRP Task Force were noted. Both documents were attached to the agenda.

4.1 ***Strategy***:

An update was given by Nick Dumbreck on the work on strategy. Some detailed wording changes were suggested and agreed. Following the discussion a revised version of his presentation is attached as **annex 4.1.a**.
The SFPC agreed to <u>question 1</u> as set out in the ISRP interim report (attached as **annex 4.1.b)** to put the Vision, Mission, Strategic Objectives and new aims in Statutes through an electronic vote so that it can be adopted by the General Assembly before the Copenhagen meeting.

4.2 ***Governance***:

Birgit Kaiser highlighted the background of the document attached to the agenda as annex 4.2.a. regarding the board of directors and the various scenarios for Board Composition under item 2.3. The TF recommended acceptance of scenario B.
The restructuring will affect the work of the Nominations Panel (NP). The ISRP TF has therefore reviewed the Terms of Reference of the NP as well and consequently the relevant changes in the statutes. It was also proposed to eliminate the list of committees in the Statutes to allow for more flexibility.

Survey on Governance results:

The results were examined in some detail. Various issues were discussed. However, the main issue seemed to be the concern about the size of the Board of Directors. Another concern is that there is no plan (yet) on the specific roles of the new Board members.

Comments were made on the need for a strong chairperson, the increased cost of the new structure, which results in more participants and more meetings required. There was a call for such changes to be justified. Concern was expressed for the loss of the informality of the current arrangements for a small group of chairpersons. The problem of finding enough willing and able leaders was cited, but it was stated that the needs to encourage diversity of representation required larger numbers participating. It was stated that these proposed changes are being driven by the larger associations, but that the needs of the smaller associations should not be overlooked.

In respect of Question 2 from the Interim report, there was a discussion including flexibility regarding the term of 3 years, voting categories, whether there should be a maximum number of committees to be included in the statutes and a document outlining the principle based guidelines for the NP including the reasons why diversity is important. Birgit will update the relevant document(s) once the TF have considered this discussion.

In respect of Question 3 from the interim report: the SFPC endorsed the interim report subject to the changes discussed.

It was emphasized that there should be caution exercised regarding guidelines or statutes and work should not be done in accordance with those that are not officially yet in place. Actions should be under the current governance until the changes are accepted.
It was recognized that the Board has the power to install a temporary NP (comprising the current NP) to start work under the new ToR and new statutes.

It was agreed to recommend to the TF that it should continue its work in preparation for Copenhagen.

Following the approval of the SFPC Thomas Béhar mentioned 9 action points:
1. Transition measures
2. Role of the Chief Executive in the new arrangements
3. Content of SO3
4. Implementation and role(s) new Board of Directors
5. Structure of the committees
6. Committee needs

7. Nominations Panel
8. Resources/expense budget
9. All legal writings/ Amendments to the statutes and other legal documents

5. PROFESSIONALISM ISSUES

5.1 *UK Financial Reporting Council*

Ann Muldoon reported on the work of the UK Financial Reporting Council.
This report included:

- The revised TAS Framework which will come into effect on 1 July 2017. The scope of this framework has been extended with the application of TAS 100 to all technical actuarial work.
- The Actuarial Standard Technical Memorandum which sets out the basis on which annual statutory money purchase illustrations (SMPIs) should be determined. It comes into effect for statutory illustrations issued on or after 6 April.
- The FRC have commented on the second exposure draft of ESAP 3 on ORSA from the AAE and have also provided a response to the AAE's draft Code of Professional Conduct.
- Review of GI Reserving Reports: The main objective of the review was to assess compliance with the reporting requirements of the current TASs.
- Support for the Audit Quality Review team
- Defined Benefit Pension Schemes: The FRC is considering responding to the government green paper on this matter
- The role of the Joint Forum on Actuarial Regulation (JFAR) in assessing risks arising from actuarial work.
- FRC Plan 2017/2-18

5.2 *Mutual Recognition Agreement*

5.2.1 David Martin presented the conclusion of the MRA Review based on the report submitted with the agenda. Consequently the 3 action points outlined in this report (attached as **Annex 5.2.1**.) were discussed.
Regarding action point 1: In the appendix of the report mentioned the various MAs are paired to further discuss any issue regarding the MRA. It is up to the associations to further arrange the contact.
Regarding action point 2: Emma Gilpin, Yvonne Lynch and Birgit Kaiser volunteered to work on the documentation update including checking the wording of the MRA against the new EU directive and updating the Heubeck letter.
Regarding action point 3: No consensus was achieved on keeping central records. No further action is required at this point.

5.2.2 ***Use of an AAE template for MRAs between AAE member associations and other non-European associations.***
It was agreed that this is considered to be the responsibility of the Education Committee given the fact that MRA's are based on the level of education of the parties involved. However, considering the resources needed to review/assess and the fact that specific knowledge is needed, MAs are encouraged to assist in this process.
It was recognized that IFoA has several MRA's in place. It was agreed these would be made available. The link to these documents is included here. It was duly noted that some of these MRA's are now outdated and due for review.

Thomas Béhar mentioned his meeting with the Brazil Actuarial Association who are investigating the possibility to enter into MRAs with European Associations, including the Institut des Actuaires (France). José Manuel Mendinhos agreed to assist on assessing the Brazilian education programme (written in Portuguese).

5.3 ***Continuing Professional Development***

After a short discussion it was decided to continue monitoring the developments within the IAA in relation to the question of requiring member associations to make CPD compulsory.

6. ROLES OF ACTUARIES

6.1 ***Risk Management***

Karel Goossens gave an update on the developments in the Risk Management Area, based on the report submitted - attached as **Annex 6.1**.

6.2 ***Roles of Actuaries***

Karel Goossens gave an update on the developments in the Roles of Actuaries TF, based on the report submitted prior to the meeting – attached as **Annex 6.2.a**. There was a debate about the respective roles of auditors and actuaries, the "crossover" between them and the wish expressed by some for actuaries to have a "monopoly" of the relevant work.

Karel also addressed the fact that more information on the direction and future activities of this TF is needed and informed the meeting that for this reason a survey will be sent to Member Associations within the next weeks (**Annex 6.2.b**).
The SFPC extended the request for volunteers for the TF Roles of Actuaries.

7. CONSUMER PROTECTION

Thomas Béhar gave an update on the work done in the Consumer Protection Task Force. The relevant documents were submitted with the agenda. The focus of this TF will mainly be to respond to relevant consultations on PRIIPS. Michael Renz spoke to his paper on the work of the DAV in this area.

8. GLOBAL ERM QUALIFICATION

On the topic of developments in respect of the CERA qualification, it was recognized that the number of associations granting the CERA qualification continues to grow and new associations apply for Award Signatory Status. Malcolm Campbell submitted a report to David Martin on this development, which is attached as **Annex 8**.

9. ACCREDITATION OF MEMBER ASSOCIATIONS

The AAE relies on the accreditation committee of the IAA and the arrangement with the IAA is continuing. Currently there is one association being assessed for admittance to full membership. This is being dealt with by the AAE Education committee.
Since the IAA is in the process of implementing a new Core Syllabus, it was decided that the AAE will monitor this process to be aware of developments. Committee members were urged to liaise with their associations and their delegates to the IAA regarding voting on the IAA definition of an actuary and the proposed removal of the IAA "Fully Qualified Actuary" definition.
Thomas asked if it would be possible to have a definition of what is a fully qualified actuary

of the AAE. It was agreed that this would be a subject for the Board.

10. AAE AND IAA – ISSUES OF MUTUAL INTEREST

On the developments in the proposed Memorandum of Understanding the following points were highlighted:

- This MoU is intended to formalize the cooperation between IAA and AAE
- This MoU provides an observer status in the other association
- This MoU provides for the IAA President and AAE Chairperson to be invited to each other's meetings
- This MoU includes that each will share communications with each other

Some detailed drafting issues were raised. It is the objective to have the final document presented to the GA for approval in September. Malcolm Campbell will simultaneously prepare the IAA discussions.

11. REVIEW OF COMMITTEE PRIORITIES

The review of committee priorities was noted. The general comment was that more focus was needed and that a (short) list of topics should be prepared. The topics should be of strategic importance and linked to the new 3 strategic objectives.
Another comment was that the list of committee priorities - as submitted with the agenda - was too extensive.

Due to time constraints this topic was not extensively discussed. Therefore all are invited to submit comments afterwards on this issue.

12. LINKS WITH OTHER ORGANISATIONS

12.1 **EIOPA**

The report of the meeting held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 19 December 2016 was noted.

12.2 **European Commission**

The report of a meeting held between Officers of AAE and Tatyana Panova of the European Commission in Brussels on 30 March 2017 was noted.
A meeting with Nathalie Berger is to be planned mid June to further address her assertion in her European Actuary article that our profession is not regulated.

13. FUTURE ANNUAL AND SPRING MEETINGS

Annual Meetings

13.1 The venues and dates – where known – were noted:

2017 – Copenhagen, Denmark – 22 September 2017

2018 – The Netherlands – *city and date to be confirmed*

2019 – Vienna, Austria – *date to be confirmed*

No offers to host the Annual Meeting from 2020 and onwards were received.

13.2 **Spring Meetings**

The invitations from Poland and Portugal to host below meetings were noted and accepted.

2018 – Poland – Pensions, IFR and Education

2018 – Portugal – Insurance + Standards, Freedoms and Professionalism

For both meetings, the date and city will be confirmed at a later stage.

No offers to host other Spring meetings from 2019 onwards were received.

14. INFORMATION EXCHANGE

Due to time constraints this topic was not discussed.

15. ANY OTHER BUSINESS

No other issues were brought forward.

16. DATE OF NEXT MEETING

The next meeting of the Committee will be held in Copenhagen on 21 or 22 September 2017, at the invitation of Den Danske Aktuarforening.

17. RESERVED (CONFIDENTIAL) BUSINESS - if any

No requests were received.