

## **REPORT BY THE HONORARY TREASURER FOR THE FINANCIAL YEAR 2018 INCLUDING FORECAST 2019 AND BUDGET 2020**

### **FINANCIAL ACCOUNTS 2018**

The accounts of the Actuarial Association of Europe for the financial year 2018 have been communicated to the Membres Titulaires in June of this year. The accounts have been reviewed by Grant Thornton as agreed during the General Assembly in 2013. The Independent Practitioner's Review Report is included as Annex 1 of this report and concludes that "nothing has come to the attention that causes to believe that these financial statements are not prepared, in all material respects, in accordance with BE GAAP and the accounting policies disclosed with the financial statements". Grant Thornton, represented by Dirk Van den Broeck, registered auditor, have presented and explained the report during a call on 11 June 2018 and confirmed the fair presentation of the annual accounts.

### *Summary of the accounts*

The net current assets of the AAE end 2018 equal EUR 728,733 (2017: EUR 647,676) an increase of EUR 81,057 compared to 2017. All available assets are invested in two current accounts corresponding with the investment principles of the association.

Income during 2018 was EUR 489,058 (2016: EUR 460,231). Expenditure for the year equals EUR 408,000 (2017: EUR 418,443).

### *Income and expenditures<sup>1</sup>*

#### **ANNUAL CONTRIBUTIONS FROM MEMBER ASSOCIATIONS**

The number of qualified actuaries for whom the member associations pay the subscription to the AAE has increased by 1,407 to 24,198 (the list with the number of qualified actuaries per member association is available on our website).

Based on the annual fees as agreed by the General Assembly at the meeting in Brussels on 1 October 2010, the income from member associations has increased to EUR 482,845.

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<sup>1</sup> Comments on deviations > 4,000 EUR only

#### THE EUROPEAN ACTUARY

The costs for the production of “The European Actuary” magazine have increased to EUR 11,383 (2017: 6,920). This is the result of the decision to publish the TEA three times a year instead of two. Moreover, the June issue of TEA has been distributed in hard copy (2,500) during the ICA 2018 in Berlin.

#### SALARY/FEE COSTS OF SECRETARIAT

The numbers are in line with the agreed contractual obligations.

#### SECRETARIAT TRAVEL & EXPENSES

The secretariat and office expenses are to be lower, due to less travel in 2018.

#### CHAIRMAN’S /OFFICERS’ EXPENSES

The AAE is continuing to strengthen its presence at meetings with European institutions and member associations. The reimbursement policy has been strictly applied so that the lower costs are reflecting the increased activity.

#### WEBSITE

The numbers are in line with the agreed contractual obligations. In 2017, AAE had revised its website.

#### PROMOTIONAL SEMINAR

In 2018 three promotional events take place: Solvency II webinar (April), Code of Professional Conduct webinar (October) and CRO Round Table (November).

#### VAT

To note that AAE providers (within the EU, but outside Belgium) apply reverse charges for VAT payments. The EU created the concept of Reverse Charging VAT in order to simplify trade within the Single Market. The Reverse Charge moves the responsibility for the reporting of a VAT transaction from the seller to the buyer of a good or service. This will therefore not have an effect on the result.

#### **Result and Reserve**

The surplus of income over expenditure of EUR 81,058 has been added to the reserves of the AAE, resulting in an amount of EUR 728,733 at year end.

Following the AAE’s finance policy it is the intention to hold a reserve allowing to continue the business for two years, if no income is received. End of 2018 the ratio of reserves and expenditure was 1.8.

## FORECAST 2019

The accounts 2019 are updated to end of August 2019. The positive result is estimated at around EUR 70,723. The composition of this result can be found in Annex 2 of this report.

The expected main differences with the budget 2019 are<sup>2</sup>.

### ANNUAL CONTRIBUTIONS FROM MEMBER ASSOCIATIONS

Income will be at a higher level than expected in the budget, the number of members is growing fast leading to a membership number of 25,475 (1 Jan 2019) in our 36 member associations.

### EUROPEAN CONGRESS OF ACTUARIES

ECA2019 proved to be a successful event. As per the contract agreed with the EAA (to which the AAE outsourced the organisation of the event), the AAE share of the profit is EUR 39,328.

### AAE MEETINGS

The costs for AAE meetings had been budgeted too low in 2019. The higher cost are a result of the increased collaboration following the restructure approved at the General Assembly in 2017.

### SECRETARIAT TRAVEL & EXPENSES

The secretariat and office expenses are expected to be lower than budgeted, due to less travel in 2019.

### SOLVENCY II PROJECT MANAGER

Starting 1 July 2019, the AAE hired a project manager to run the Solvency II. The fees were not included in Budget 2019.

### PROMOTIONAL SEMINAR

In 2019 five promotional events are taking place: EU Seminar (April), Core Syllabus webinar (May), Ageing webinar (June), Insurance Topics webinar (September), Risk Management webinar (December). The budget has been too conservative; resources can be used more efficiently.

### ACTUVIEW

The AAE Board has approved a partnership with Actuvier. The corresponding fees had not been included in Budget 2019.

### PUBLICATIONS (INCL. EU NEWSLETTER)

In 2019, we have reassessed the value of the EU newsletter. We have decided to discontinue it.

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<sup>2</sup> Comments on deviations > 4,000 EUR only

## **BUDGET 2020**

The proposed budget 2020 is included as Annex 2 of this report. The budget 2020 is based on the assumption that no other structural changes will occur in the organisation during 2020.

A positive result of 964 EUR is expected in 2020 taking into account prudent assumptions for membership developments and the contribution level as agreed in September 2018.

### ***5-year projection***

The 5-year projection is based on the trends observed in recent years and assume that no further structural changes in the organisation will be introduced. The projected reserve in increasing as the number of qualified actuaries is increasing and the contribution level are stable, while the expenses are mostly indexation linked (2.5% per annum).

## **APPROVAL OF FINANCIAL STATEMENTS 2018 AND BUDGET 2020**

In accordance with the Statutes, the General Assembly is invited to approve the audited financial statements for the year 2018 and the budget for 2020.

## **APPROVAL OF ANNUAL FEE 2021**

In accordance with the Statutes, the General Assembly is invited to approve to maintain the annual fee for 2021 at EUR 20 per full member per Member Association.

Lutz Wilhelmy  
Honorary Treasurer  
September 2019

## Annex 1.1

### THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

#### Statement of Income and Expenditure for the year ended 31 December 2018

	2018 <u>EURO</u>	2017 <u>EURO</u>
<u>INCOME</u>		
From members		
Annual contributions due from National Associations	482.845	451.653
Other		
ECA	-	-
AAE Meetings	6.213	8.578
The European Actuary	-	-
Interest received	-	-
	<u>489.058</u>	<u>460.231</u>
<u>EXPENDITURE</u>		
ECA	365	-
AAE Meetings	24.583	24.962
The European Actuary	11.383	6.920
Salary / fee costs of Secretariat	207.797	202.476
Secretariat travel & expenses	14.892	24.733
Brussels office - rent/utilities	16.262	14.621
Professional fees	25.703	25.972
Chairman's / Officers' expenses	41.472	48.579
IT Support	8.697	7.425
Conference calls	7.354	4.532
Website	8.833	28.283
Promotional Seminar	4.070	-
Publication	24.806	24.227
Taxes: Swiss/Belgian	1.283	1.657
VAT	7.642	890
Bank charges	136	445
Depreciations	2.722	2.722
	<u>408.000</u>	<u>418.443</u>
Total income	489.058	460.231
Total expenditure	<u>408.000</u>	<u>418.443</u>
Surplus of income over expenditure	<u>81.057</u>	<u>41.788</u>

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## THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

## Balance Sheet at 31 December 2018

	2018 <u>EUROs</u>	2017 <u>EUROs</u>
<b>NON CURRENT ASSETS</b>	<b>6.094</b>	<b>8.816</b>
<i>Tangible Fixed Assets</i>	<i>6.094</i>	<i>8.816</i>
Acquisition value	12.723	12.723
Accumulated depreciations	-6.629	-3.907
<b>CURRENT ASSETS</b>	<b>768.907</b>	<b>686.572</b>
<i>Trade Receivables</i>	-	-
<i>Cash at bank</i>	<i>768.907</i>	<i>686.572</i>
Ciasse d'Epargne current account	451.586	392.175
Ciasse d'Epargne term deposit account	-	-
VISA Card	117	117
BNP Paribas Current Account	317.204	294.281
Cash	-	-
<i>Accrual interest to receive</i>	-	-
<b>CURRENT LIABILITIES</b>	<b>46.268</b>	<b>47.713</b>
<i>Accruals Invoices to receive</i>	<i>46.268</i>	<i>47.713</i>
<b>NET CURRENT ASSETS</b>	<b>728.733</b>	<b>647.676</b>
 <b>REPRESENTED BY:</b>		
Reserves at 31 December prior period	647.676	605.888
Surplus of income over expenditure	81.057	41.788
<b>Reserves at Year end</b>	<b>728.733</b>	<b>647.676</b>

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THE ACTUARIAL ASSOCIATION OF EUROPE (AAE)

Valuation Rules at 31 December 2018

**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

**Income**

Income from members comprises amounts receivable for annual contributions invoiced, registration fees for colloquia and other services provided.

Other income includes income receivable from outside the membership such as bank interest and sponsorships.

Income and related accounts receivable are recognized based on the accrual principle.

**Foreign Currencies**

Assets and liabilities in FX currencies are translated into Euros at the FX rate ruling at the balance sheet date.

**Tangible fixed assets**

The cost of equipment acquired for use by the Secretary and other employees with

- *an expected usefull life of more than 1 year; and*

- *an acquisition value of more than 200 EUR*

is recognized as an asset and is written of on a linear basis over following period:

- *Computer and IT equipment: 3 years*

- *Furnitures: 5 years.*

Equipment with an acquisition value of less than 200 EUR is directly expensed.

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Actuals 2017, 2018,  
Budget 2019, Forecast 2019, Comparison  
Budget 2020, Forecast 2021-2024

Annex 2

2019

	2017 actual	2018 actual	2019 Budget	2019 Forecast	2019 Forecast minus Budget	2019 Forecast vs. Budget %	2020 Budget	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
	Euros	Euros	Euros 19-20	Euros 19-20			Euros 19-20	Euros 20	Euros 20	Euros 20	Euros 20
Annual Fee											
Number of Members	22'791	24'198	24'400	25'475			26'000	27'000	28'000	29'000	30'000
<b>INCOME</b>											
Annual contributions from MAs	451'653	482'845	486'876	508'485	21'609	4.4%	518'964	540'000	560'000	580'000	600'000
ECA	0	0	0	39'238	39'238		0	41'000	0	43'000	0
AAE meetings	8'578	6'213	8'000	8'000	0		8'000	8'200	8'405	8'615	8'831
The European Actuary	0	0	0	0	0		0	0	0	0	0
Interest received	0	0	0	0	0		0	0	0	0	0
<b>Total Income</b>	<b>460'231</b>	<b>489'058</b>	<b>494'876</b>	<b>555'723</b>	<b>60'847</b>	<b>12.3%</b>	<b>526'964</b>	<b>589'200</b>	<b>568'405</b>	<b>631'615</b>	<b>608'831</b>
<b>EXPENDITURE</b>											
ECA	0	365	0	0	0		0				
AAE Meetings	24'962	24'583	18'000	25'000	7'000	38.9%	25'000	25'625	26'266	26'922	27'595
The European Actuary	6'920	11'383	13'000	14'000	1'000	7.7%	14'500	14'863	16'000	16'400	16'810
Salary/fee costs of Secretariat	202'476	207'797	200'000	200'000	0	0.0%	210'000	215'250	220'631	226'147	231'801
Secretariat travel & expenses	24'733	14'892	25'000	15'000	-10'000	-40.0%	20'000	20'500	21'013	21'538	22'076
Brussels office - rent/utilities	14'621	16'262	15'000	16'000	1'000	6.7%	16'000	16'400	16'810	17'230	17'661
Professional Fees	25'972	25'703	30'000	30'000	0	0.0%	30'000	30'750	31'519	32'307	33'114
SO1 Manager (currently SII)	0	0	0	30'000	30'000		60'000	61'500	63'038	64'613	66'229
Chairman's / Officers' expenses	48'579	41'472	45'000	45'000	0	0.0%	45'000	46'125	47'278	48'460	49'672
IT support	7'425	8'697	10'000	10'000	0	0.0%	10'000	10'250	10'506	10'769	11'038
Conference calls	4'532	7'354	8'000	8'000	0	0.0%	8'000	8'200	8'405	8'615	8'831
Web Site	28'283	8'833	4'000	7'000	3'000	75.0%	8'000	8'200	8'405	8'615	8'831
Promotional seminar/webinar	0	4'070	20'000	12'000	-8'000	-40.0%	12'000	12'300	12'608	12'923	13'246
Actuvie	0	0	0	40'000	40'000		50'000	60'000	90'000	90'000	90'000
Publications (incl. EU newsletter)	24'227	24'806	33'000	20'000	-13'000	-39.4%	5'000	5'125	5'253	5'384	5'519
Taxes Swiss/Belgian	1'657	1'283	2'500	2'000	-500	-20.0%	1'500	1'538	1'576	1'615	1'656
VAT	890	7'642	6'000	8'000	2'000	33.3%	8'000	8'200	8'405	8'615	8'831
Bank Charges	445	136	300	200	-100	-33.3%	200	205	210	215	221
Depreciations	2'722	2'722	2'500	2'800	300	12.0%	2'800	2'800	2'800	2'800	2'800
<b>Total Expenditure</b>	<b>418'444</b>	<b>408'000</b>	<b>432'300</b>	<b>485'000</b>	<b>52'700</b>	<b>12.2%</b>	<b>526'000</b>	<b>547'830</b>	<b>590'722</b>	<b>603'170</b>	<b>615'929</b>
<b>Income -/- Expenditure</b>	<b>41'788</b>	<b>81'057</b>	<b>62'576</b>	<b>70'723</b>	<b>8'147</b>	<b>13.0%</b>	<b>964</b>	<b>41'370</b>	<b>-22'317</b>	<b>28'445</b>	<b>-7'098</b>
Balance EOY	647'676	728'733	791'309	799'456	8'147	1.0%	800'420	841'790	819'473	847'919	840'820
Balance EoY / Expenditure	1.5	1.8	1.8	1.6			1.5	1.5	1.4	1.4	1.4