



GROUPE CONSULTATIF ACTUARIEL EUROPEEN EUROPEAN ACTUARIAL CONSULTATIVE GROUP

**SECRETARIAT, MAISON DES ACTUAIRES, 4 PLACE DU SAMEDI
B-1000 BRUSSELS, BELGIUM**

TELEPHONE: (+32) 22 17 01 21 FAX: (+32) 27 92 46 48

E-MAIL: groupe@actuaries.org.uk

WEB: www.gcactuaries.org

Notes of a meeting with EIOPA 30 November 2011

Present:

Groupe Consultatif

Gábor Hanák (Groupe Chairman)
Chris Daykin (Immediate Past Chairman)
Karel Goossens (Chairman, Insurance Committee)
Falco Valkenburg (Chairman, Pensions Committee)
Christoph Krischanitz (Chairman, IFR Committee)
Ron Hersmis (Chairman, Education Committee)
Jean Berthon (Honorary Treasurer)
Said Younsi (Solvency II project)
Pia Skaerbak (Public Affairs)
Michael Lucas (Groupe Secretary)

EIOPA

Gabriel Bernardino (Chairman)
Carlos Montalvo (Chief Executive)
Olaf Ermert (Chair, FinReq)
Pamela Schuermans (Coordinator, Solvency II)
Yvonne Schmerfeld (Senior expert, Solvency II)
Barthold Kuipers (Pensions)
Tilmann Roth (Principal expert, structured products)

1. Solvency II

Karel referred to critical comments made by EIOPA at the previous meeting regarding the level of the Groupe's contribution in certain areas: Gabriel confirmed that their concerns appeared to have been addressed, and EIOPA appreciated the Groupe's assistance across a wide range of issues. He particularly welcomed the Groupe's clear, independent and objective input on the counter-cyclical/matching premium, and emphasised that this submission had been considered a model.

Reference was made to the current Level 3 pre-consultation on Actuarial Guidelines and the Groupe raised concerns that the guidelines –

- should not be too prescriptive
- should include a clearer statement regarding professional judgement
- should be dynamic and capable of application to new products and methodologies

EIOPA acknowledged these points: Gabriel pointed out that the guidelines were not intended to be exhaustive, and Olaf noted that the general aim of the Actuarial Guidelines was to achieve a more consistent approach to technical provisions. There was consensus on the importance of bringing such a message to the sector, and it was noted that the Groupe might help to communicate this message in the future.

Olaf referred to difficult discussions with the Commission on how Level 2 measures should cover expert judgement, and he reported that it was likely that there would be an overarching guideline on this. Gabriel welcomed the Groupe's offer of assistance to try to achieve a balance that would be reasonably principles-based while at the same time promoting harmonisation. EIOPA would also appreciate the Groupe's support in educating national supervisors on implementation of the guidelines and best practice.

In response to a question from Said on the consultation on ORSA and reporting templates, Olaf indicated that EIOPA were looking to compare an undertaking's own risk assessment with the implicit assumptions of the standard formula. Olaf also referred to the importance of addressing CAT risk.

Karel reported that a working group had been established to prepare a report on sovereign credit risk with a target deadline of the spring meetings of the Groupe: Gabriel confirmed that EIOPA will be very interested in this work.

2. Actuarial Function/Role of the Actuary

Karel welcomed EIOPA's pre-consultation on the Actuarial Function guidelines, but identified some concerns in relation to –

- the segregation principle making a distinction between coordination, calculation and review
- conflict of interest
- proportionality

Gabriel suggested that these matters should be discussed in detail with Yvonne after the meeting.

Chris referred to the different roles that actuaries can play, in particular in relation to reviewing, and the importance of the relationship with auditors. Independence was also emphasised. Karel noted the encouragement contained in para 3.51 of the pre-consultation –

“Undertakings may wish to consult or refer to actuarial or other professional standards or guidance issued by actuarial or other professional bodies as an additional benchmark for fitness and propriety of staff working in an actuarial function”.

and he confirmed that the Groupe would be happy to help in this context.

Karel referred to the survey on the role of the actuary in insurance issued by the Groupe earlier in the year, which confirmed that the Actuarial Function exists in most countries in Europe, and that the supply of actuaries should be able to meet the expected demand arising from Solvency II. (A further copy of this report is being sent to EIOPA). Karel also reported that the Groupe has set up a group to prepare a position paper on the role of the actuary in Solvency II, based on a paper by the Dutch association (AG), which would explore the scope for wider involvement of actuaries in managing financial risk: it is hoped that this paper will be ready in Spring 2012.

3. Actuarial Standards

Chris referred to the Groupe's ongoing work on actuarial standards, in particular the approval of purpose, criteria and due process, and the development of a draft model standard on Actuarial Function reporting. He emphasised that the intention was to promote consistency of practice within the profession, and to complement both EIOPA's guidelines and a generic standard being developed by the IAA. The Groupe plans to adopt the IAA standard but may need to adapt it for the specific circumstances of Solvency II. Chris explained that standards developed by the Groupe would be model standards: member associations would be expected to adopt them or adapt them to meet local requirements, or to demonstrate that an equivalent standard was already in place. The Groupe's approach to the application of model standards both at the level

of national associations and at the level of individual actuaries is “comply or explain non-compliance”. Chris also pointed out that the Groupe is considering other possible areas which would be appropriate for the development of standards, e.g. ORSA, SFCR, but we are waiting until EIOPA produce guidelines before going any further. He emphasised that EIOPA and other stakeholders would be consulted on exposure drafts.

Gabriel welcomed the idea of professional standards to complement EIOPA guidelines, which would be very much in line with the spirit of para 3.51 of the pre-consultation. Gábor suggested that EIOPA might also encourage national supervisors to take account of such standards.

It was agreed to send EIOPA copies of the purpose/criteria and due process papers.

4. Pensions – Call for Advice on review of IORP Directive

Falco commended EIOPA on their comprehensive consultation paper. He observed that it was very much at a technical level and, as such, presented a challenge for the Groupe to reflect the diversity of views which were emerging, where national associations were looking to draw political conclusions. Falco indicated that it was unlikely that the Groupe would support a particular option and instead would present an objective appraisal of the different options, emphasising the importance of the holistic balance sheet and communication to beneficiaries. Chris added that this would reflect the different pensions backgrounds across the EU. Falco also indicated that it would be desirable to make the real value of the “pension promise” transparent to beneficiaries.

In response, Gabriel welcomed the substantial input which the Groupe is making to this project. He pointed out that EIOPA’s draft response was constrained by the Commission’s focus on how to implement risk-based supervision. He recognised the need for a QIS in order to inform future political decisions, and he suggested that the Groupe might include this as a caveat in its comments. Falco reported that a separate working group had been set up to prepare a discussion paper on a QIS. Gabriel acknowledged that there would be a diversity of views within the Groupe, but hoped that these could be presented in an independent and objective way. He also hoped that the Groupe’s comments would address DC plans and their governance.

In conclusion Gabriel indicated that he expected a political decision from the Commission around the end of 2012.

5. Consumer protection issues

Jean suggested that the actuarial profession could have a wider role to play in serving the public interest in relation to –

- solvency of undertakings
- commercialisation and certification of financial products (design and pricing; is a product useful, toxic, in the interest of consumers?)
- what effects new products might have on financial markets
- transparency and fairness (e.g. disclosure, distribution of surplus)
- education of customers and intermediaries

Gabriel encouraged the Groupe to develop this initiative and to promote financial literacy. Tilmann Roth referred in particular to EIOPA’s consultation on variable annuities, where he considered it important to have input on disclosure and consumer understanding of technical details.

Jean agreed to prepare a paper, for internal consideration by the Groupe initially, on improving the financial education of consumers and intermediaries, and their awareness of risk.

6. Age & Disability as rating factors

Chris and Karel reported that, following the ECJ decision on the use of gender as a rating factor, the Groupe had decided to prepare a position paper describing the implications if the decision were to be extended to age and disability. The paper will be published on 5 December. Gabriel requested that EIOPA receive a copy of this paper as soon as possible since it would provide valuable input to their Consumer Day on 6 December, and the IRSG meeting on 12 December. Gabor noted that the paper will also be sent to the European Commission.

7. Stakeholder Groups

It was acknowledged that, although the Groupe's nominees on the Stakeholder Groups (Thomas Béhar, Seamus Creedon and Philip Shier) had been appointed as independent experts, they are supported by the appropriate committees of the Groupe Consultatif. Gabriel observed that consumer group stakeholders on IRSG and OPSG perceived Thomas, Seamus and Philip as representing industry, but he emphasised that this was not a view shared by EIOPA, and that it was important to convince the consumer groups that the Groupe does not represent industry.

8. ECA 2012

Ron drew attention to the first European Congress of Actuaries, which will be held in Brussels on 7/8 June 2012. Gabriel confirmed that EIOPA will provide a high-level speaker for the Congress, and he regretted that he and Carlos would be unable to undertake this because of other commitments.

9. Next meeting

It was confirmed that the next meeting should be held in the first half of 2012.