

**GROUPE CONSULTATIF ACTUARIEL EUROPEEN**

EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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E-MAIL: groupe@gcactuaries.orgWEB: www.gcactuaries.org**Report of the Standards Project Team to the Standards, Freedoms and Professionalism Committee at their meeting in Utrecht, Netherlands on 22 March 2012**Progress with standards development and, in particular, GCASP2

At the meetings of the Groupe Consultatif in Prague in October 2011, approval was given by the General Assembly to the papers on 1) purpose of standards and criteria to be met, 2) due process for developing and adopting model standards and 3) the work plan of the Standards Project Team (SPT). The Standards, Freedoms and Professionalism Committee (SFPC) approved the proposal for the SPT to proceed to develop an exposure draft for a model actuarial function report standard, with the intention that the exposure draft be brought to the Spring Meeting of the SFPC for approval. All motions were approved unanimously, the Institute and Faculty of Actuaries delegates having informed the Chairman a few weeks after the meeting that their Council had now discussed the matter and agreed to support the principle of the Groupe moving forward to develop model standards.

Unfortunately the SPT has not been able to keep to this timetable, largely because it took some time to obtain names of volunteers for the drafting team, but also because there were a number of issues of principle to discuss on the SPT about the contents of the model standard. However, the drafting team has now been established and has held its first conference call. All of the members of the drafting team were present, either in person or on the phone, for most of the meeting of the Standards Project Team on 6 March for a briefing and discussion on various topics connected to drafting the standard. A work programme has now been put in place and is expected to lead to a draft of the exposure draft being prepared for wider pre-consultation by early June. The intention is to bring the proposed exposure draft to the SFPC for approval at the meeting in Rome on 18 October 2012. The current members of the drafting team are:

Dieter Köhnlein (Convenor – Member of SPT)
 Ray Bennett (Institute & Faculty of Actuaries)
 Francis Coll (Society of Actuaries in Ireland)
 Florin Ginghina (Romanian Actuarial Association)
 Dix Roberts (Institute & Faculty of Actuaries)

We are still expecting representatives of the Dutch and French associations to join the team.

Developments in the IAA

The consultation period on the exposure draft of ISAP1 General Actuarial Practice ended on 1 December 2011. We understand from the ISAP1 Task Force that 432 specific comments were received from 27 organisations or individuals. These fell broadly into eight substantive topic areas and the Task Force has been analysing each of these topic areas, drawing up position papers and deciding how to take the comments into account (or not) in drawing up either the final model standards or a second exposure draft. It is expected that this process will be completed in

time for the IAA Council and Committee meetings in Los Angeles on 23-26 May 2012, although it would not be done early enough for a final version of the model standard to be approved in LA, even if it is decided not to have a second exposure draft.

Response to comments on the proposal to develop GCASP1

The proposal to develop a standard on quality of actuarial work under Solvency II (GCASP1) was not welcomed unequivocally by all associations represented in Prague. Concern was expressed about possible overlap with ISAP1 and with the Groupe Consultatif Code of Conduct. A suggestion was made that it might be more appropriate to develop a 'marketing brochure' covering the various aspects of the professional structure which underpin quality in actuarial work carried out by qualified actuaries who are members of professional associations. The SPT submitted a substantial set of comments to the IAA on the ISAP1 exposure draft, in the hope that the final version of ISAP1 might be influenced so as to be more along the lines of what we had been planning with GCASP1. We now await the final version of ISAP1 (or the second exposure draft) and will evaluate whether we could recommend to the Groupe that the IAA model standard should be adopted directly as a Groupe model standard, or be adapted in some ways in order to achieve this.

Marketing brochure

Further consideration has been given to the idea of a marketing brochure and at **Annex A** we set out a skeleton of what the contents of such a brochure might be. The audience for such a document would be the management of insurance companies and senior decision-makers, including regulators – also the press, MEPs, the Commission and other stakeholders. It would be produced in English but member associations would be encouraged to translate it into their national language(s), badge it jointly with the logos of the Groupe and the association, and promulgate it widely in local markets.

The SPT consider that such a brochure would need to be quite short, in view of the intended high level audience, but it could be supported by a number of fact sheets and other documents explaining particular aspects in more detail. The online version would include live links to such supplementary material. Readers of the paper/card version would be directed towards the website for more information.

Another brochure (or booklet) is currently under development by the Role of the Actuary Task Force of the Insurance Committee, setting out the various roles for actuaries under Solvency II. The SPT has not yet seen a text for that booklet, but, following discussion of strategy with the Groupe's Head of Public Affairs (Pia Skaerbak), we would like to recommend that if possible a combined brochure be prepared, combining elements of both. However, this would probably only contain the main points of the Role of the Actuary booklet and there would probably still be a need for a separate fuller version.

Code of Conduct

In the course of the work on developing the concept and content of professional standards which the Groupe Consultatif might issue, it has become increasingly clear that the demarcation between ethical and technical standards is not entirely clear-cut. Some of the material which the SPT put forward for inclusion in model standard GCASP1 (Quality of Actuarial Work under Solvency II) was considered by some of those attending the Prague meetings to be more appropriate to the Code of Conduct than to a standard. Indeed some aspects are already covered by the current Code of Conduct. However, whereas a standard would be subject to consultation both within the profession and with external stakeholders, and could therefore be

expected to get a reasonably high degree of visibility, the Code exists already, has not been the subject of wider consultation and is largely invisible to those outside the profession. Our aim in proposing GCASP1 had been to emphasize standards which help to assure the quality of actuarial work from the perspective of the user, even though some of those aspects might already be written into the professional code.

The Groupe Consultatif Code of Conduct has been in place for 20 years, so now it might be a good time to review it. Unfortunately, this may be easier said than done, since the Code has been replicated or built upon by all Full Member Associations of the Groupe (and indeed more widely since it was also adopted as the benchmark by the IAA), and any revision would affect the codes of all member associations and possibly IAA members as well.

The Code could be said to have stood the test of time, but the reality is that it has never been formally reviewed or revisited. The SPT believe that, from today's perspective, it seems rather unfocussed in style, mixing high level principles with lower level behavioural standards. Having as many as 11 sections, some of which contain more than one idea, means that it is not particularly memorable. We think it is unlikely that many actuaries could accurately quote from memory all the topics covered. Moreover it is far from ideal as a document for promoting to the wider world the professionalism of actuaries. It also needs to be reshaped in non-sexist language.

It does not fall within the remit of the Standards Project Team to carry out a review of the Code or to propose detailed changes. However, we bring the issue to the SFPC with our recommendation that a review of the Code of Conduct be carried out. We can envisage various possible outcomes:

- (a) leave it as it is
- (b) introduce some headings and reorganise the paragraphs under the headings
- (c) do as in (b) but also introduce overarching principles underneath each heading
- (d) make significant revisions to the text to make it more user-friendly and a better tool for demonstrating actuaries' professionalism

Purely by way of illustration, we attach at **Annex B** one idea of how a revision of type (c) might look (including minor wording changes to avoid sexist language). A revision of type (b) would be similar but without the summary principles at the top of each section.

Other candidates for standards

The SPT retains the following on its list of possible future standards:

- contribution of the actuarial function to the risk management function
- actuarial work in the risk management function
- carrying out an ORSA
- reporting on financial condition

We have not been able to make progress on these. In particular, whether to take forward any work on the latter two will depend on what guidelines EIOPA brings out on these topics. As regards risk management we would welcome further volunteer actuaries who have experience of working in the risk management function of an insurance company and who would be willing to study the need for and possible content of standards in this area.

Annex A - Framework for “Why Use an Actuary” booklet

What is an actuary?

What is the actuarial function under Solvency II?

In what other roles might it be appropriate to use an actuary?

How can a qualified actuary be identified?

- Full membership of a professional association of actuaries

Why is it important to use a qualified actuary?

- Would you want to have a partially qualified or unqualified doctor to advise you?

What are the characteristics of a professional body? – quality control

- Qualification standards
- Ethical standards
- Disciplinary scheme
- Continuing professional development requirements
- Technical standards

What is the Groupe Consultatif?

- Umbrella organisation for the professional associations of actuaries in the EU
- Common requirement for code of conduct
- Common core syllabus requirement for admitting fully qualified actuaries
- Professional requirement for competence
- Requirement for a disciplinary scheme

What does the code of conduct consist of?

- Integrity
- Objectivity (including avoidance of conflicts of interest)
- Competence and care for the recipient of advice
- Compliance with regulatory requirements and professional standards
- Communication

A qualified actuary meets the ‘fit and proper’ requirements of the directive

- Fitness is demonstrated by qualification requirements to become an actuary
- CPD requirements of member associations
- Competence for the job is a requirement of the professional code
- Propriety underpinned by code of conduct and emphasis on
 - Integrity
 - Objectivity
 - Compliance
 - Communication

Annex B – Tentative suggestion for simple revision of the Code of Conduct**Integrity**

An actuary will act honestly and with the highest standards of integrity.

An actuary should perform professional services with integrity, skill and care, should fulfil the actuary's professional responsibility to the client or employer and should not act against the public interest.

An actuary should act in a manner to uphold the reputation of the actuarial profession. An actuary should avoid publicity that might lead to undue or unfair professional advantage, that cannot be substantiated or that is of a misleading nature.

An actuary should perform professional services with courtesy and should co-operate with others serving his client or employer.

An actuary should treat client information with confidentiality.

Objectivity

An actuary will not allow bias, conflict of interest or the undue influence of others to override their professional judgement.

An actuary should not perform professional services involving an actual or potential conflict of interest, unless the actuary's ability to act fairly is unimpaired and there has been full disclosure of the actual or potential conflict.

When an actuary is asked to take on professional services previously provided by another actuary, the actuary should consider whether it is appropriate to consult with the previous provider of the professional service to ensure that it is suitable to take on this new responsibility.

An actuary should disclose to the client, in writing and in a timely fashion, all sources of income related to any service on behalf of a client.

Competence

An actuary will perform professional duties competently, with skill and with care.

An actuary should perform professional services only if competent and appropriately experienced to do so.

Compliance

An actuary will comply with all relevant legal, regulatory and professional requirements

An actuary is responsible for maintaining applicable practice standards in actuarial work.

An actuary must take into account any relevant Guidance Notes issued or endorsed by his Association and the status of those Guidance Notes (eg mandatory, recommended practice).

An actuary should be subject to the disciplinary procedures prescribed in the rules of the actuary's Association, and, subject to the right of appeal within those rules, should accept any judgement passed, or the decision of any appeal procedure.

Communication

An actuary will communicate effectively and meet all applicable reporting standards.

An actuary should, in communicating his professional findings, show clearly that the actuary is the source of the findings and that the actuary is available to provide the client or employer with supplementary information and explanation about scope, methods and data.

An actuary should, in communicating his professional findings, identify the client for whom these findings are made and in what capacity the actuary serves.