GROUPE CONSULTATIF ACTUARIEL EUROPEEN
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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MINUTES

of a meeting of the

STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE

held in Dublin, Ireland
on Thursday, 26 September 2013

PRESENT:

Committee:

David Martin (Chairman)	Institute and Faculty of Actuaries
Peter Prieler	Aktuarvereinigung Österreichs
Philippe Demol	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Jiři Fialka	Ceská Spolecnost Aktuáru
Peter Melchior	Den Danske Aktuarforening
Kati Hoop	Eesti Aktuaaride Liit
Esko Kivisaari	Suomen Aktuaariyhdistys
Thomas Béhar	Institut des Actuaires
Gábor Hanák	Magyar Aktuárius Táraság
Yvonne Lynch	Society of Actuaries in Ireland
Inga Helmane	Latvijas Aaktuãru Asociãcija
Ron Hersmis	Het Koninklijk Actuarieel Genootschap
Magne Nilsen	Den Norske Aktuarforening
Wojciech Mojzuk	Polskie Stowarzyszenie Aktuariuszy
José Manuel Mendinhos	Instituto dos Actuarios Portugueses
Luis Sáez de Jáuregui	Instituto de Actuarios Españoles
Félix Arias Bergadá	Col.legi d'Actuaris de Catalunya
Jan-Åke Persson	Svenska Aktuarieföreningen
Lutz Wilhelmy	Association Suisse des Actuaires
Ad Kok	Chief Executive, Groupe Consultatif
Michael Lucas	Secretary-General, Groupe Consultatif

Members of the Groupe Consultatif and other Committees:

Karel Goossens	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Nevena Emanuilova-Kerenska	Bulgarian Actuarial Society

Mike Poulding	Channel Islands Actuarial Society
Birgit Kaiser	Deutsche Aktuarvereinigung
Dieter Köhnlein	Deutsche Aktuarvereinigung
Michael Renz	Deutsche Aktuarvereinigung
Gábor Borza	Magyar Aktuárius Társaság
Carla Angela	Istituto Italiano degli Attuari
Eugenija Bieliauskiene	Lietuvos Aktuarijų Draugija
Malcolm Campbell	Svenska Aktuarieföreningen
Chris Daykin	Institute and Faculty of Actuaries
Nick Dumbreck	Institute and Faculty of Actuaries

Observers:

Craig Hanna	American Academy of Actuaries
Ben Kemp	Institute and Faculty of Actuaries
Paul Kennedy	UK Financial Reporting Council

Apologies for absence:

Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Dimitris Dimitriou	Cyprus Association of Actuaries
Yannis Chadjivassiloglou	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Vicenzo Urciuoli	Consiglio Nazionale degli Attuari
Matthias Foehr	Association Luxembourgeoise des Actuaires
Jean-Paul Shipley	Malta Actuarial Society
Razvan Carstoiu	Asocitatia Romana de Actuariat
Igor Zoric	Udruženje Aktuara Srbije
Maria Kamenarova	Slovenská spoločnost' aktuárov
Jernej Merhar	Slovensko Aktuarsko društvo
Kerem Özdağ	Actuarial Society of Turkey
Antonina Redka	Society of Actuaries of Ukraine

1. Opening of the meeting and adoption of the agenda

1.1 The Chairman welcomed members to Dublin, particularly those for whom it was their first meeting, and thanked the Society of Actuaries in Ireland for hosting the meeting. He drew attention to the attendance by external observers - Paul Kennedy (UK Financial Reporting Council), Ben Kemp (Institute and Faculty of Actuaries legal adviser) and Craig Hanna (American Academy of Actuaries) – and indicated that, if there were any items of business which members considered should be discussed only by the Committee, he would later ask the observers to withdraw so that a closed session could be held at the end of the meeting. No such circumstances arose.

1.2 The agenda, as circulated, was adopted and a copy is attached to these minutes as **Annex I**.

2. Minutes of previous meeting

The Minutes of the meeting of 11 April 2013, held in Edinburgh, were confirmed.

3. Actuarial Standards

3.1 Chris Daykin briefly summarised the work of the Standards Project Team (SPT) and the drafting team in responding to comments on the draft Exposure Draft (ED) for a model standard on Actuarial Reporting under Solvency II (GCASP2), and their further efforts to prepare a revised working draft in the light of these comments. Chris explained that a definitive ED could not be published until the Level 2 regulations and Level 3 guidelines had been finalised by the European Commission and EIOPA. However it was considered desirable to have available a working draft for promulgation to actuaries who may have the responsibility to prepare all or part of an actuarial function report in 2014. He regretted that it had not been possible, due to lack of resources, for the drafting team to complete this working draft yet. He explained the work required to structure the text to distinguish what is the standard from what is in the legislation. This approach followed comments made during the consultation. Since EIOPA will shortly issue their own guidelines on governance to national supervisors, to be brought into force in 2014, Chris hoped that the working draft would be available to circulate to the Committee by the end of 2013 for comments.

3.2 The Committee noted the feedback provided in response to the comments received on GCASP2.

3.3 Chris described in more detail the work which the drafting team has undertaken in response to comments about the structure of the standard to make transparent which requirements are based on the (draft) regulations and which are specific to the standard. He highlighted the different options which had been considered, and invited comments on an example of the format now proposed. He also drew attention to the choice between conciseness and clarity, and he indicated that, although maximum clarity requires some repetition, SPT preferred this in order to cover actuaries responsible for completing only part of the Actuarial Function Report.

Discussion of the proposals elicited the following comments:

- (Nick Dumbreck) – further clarification between what is legislation and what is additional guidance could perhaps be achieved through choice of colour/typeface, but generally comfortable with the proposals; he particularly expressed satisfaction with the format used in the example in Annex 2 of the paper;
- (Mike Poulding) – proposed format is comparable to IAIS core principles, and favours clarity over conciseness;
- (Ben Kemp) – appropriate use of “must” and “should” to distinguish what is a requirement from what is best practice: this could present translation problems;
- (Thomas Béhar) – local implementation of model standard may vary; EIOPA guidance expected shortly, therefore important to have our working draft available.

Subject to these comments, it was agreed that the SPT and the drafting team should proceed with the proposed format. Chris re-emphasised the urgent need for additional volunteers to join the drafting team, and he asked members to contact him as soon as possible with any suggestions.

3.4 Chris presented the proposed ED of GCASP1, and explained that it was virtually identical to ISAP1 except for references to Groupe Consultatif instead of IAA in the preface. It was noted that an amendment to ISAP1, to introduce a separate glossary of definitions, has already been proposed by IAA: it is not, however, intended to amend the GCASP1 ED to reflect this. Chris explained that the SPT preferred that Groupe model standards should be self-contained, with definitions included as part of the standards. It will be up to local associations how they deal with this since they have already adopted ISAP1. However, the question remains as to whether a *material* change in ISAP1 should require full due process for a new ED of GCASP1: it was agreed that this could be dealt with by agreements among associations on a fast-track basis rather than waiting for the next General Assembly.

Gábor Hanák drew attention to some minor points of detail which had been overlooked (reference to individual or full members; reference to Groupe instead of IAA). Subject to amending these points, it was agreed to approve this exposure draft for consultation with member associations and other stakeholders. The period of consultation will begin on 1 November 2013 and end on 28 February 2014.

3.5 The Committee noted the SPT's revised work-plan, which was subsequently submitted the following day to the General Assembly for formal approval.

3.6 Chris drew attention to the establishment of a new task force, chaired by Gábor Hanák, to consider whether the Groupe should develop one or more model standards of practice relating to the risk management function itself, the contribution of the actuarial function to the risk management function and the role of the actuarial function in contributing to the implementation of internal models. Volunteers were invited to join this task force: Chris and Gábor emphasised that membership of the Committee is not a pre-requisite, and they encouraged members to suggest others in their associations who have appropriate expertise.

3.7 Yvonne Lynch presented a progress report from the task force which is undertaking a substantive review of the Code of Conduct. She referred to the recent minor review by the SPT, which had resulted in a number of presentational improvements, and to the task force's comparative study of codes of conduct used by other professional bodies. Yvonne emphasised that the current report from the task force contained preliminary ideas for discussion only, and did not represent a formal proposal for any changes at this stage. She invited comments on the report.

During an extensive discussion, a number of issues were raised, in particular:

- clarify to whom the code applies; does it apply to an actuary who is not providing actuarial services, or in relation to behaviour and actions in a personal context?
- the progress report suggests a much-expanded code with some prescriptive rules: a shorter, principles-based code might be better, with non-obligatory aspects separated into an educational note;
- possible overlap with GCASP1 on communication;
- the obligation under the Groupe's Statutes that full member associations should have their own code of conduct which reflects at least the minimum requirements of the Groupe's Code;
- less emphasis on protection of actuaries and the reputation of the profession, more on an actuary's social responsibility and the public interest responsibility of the actuary;
- marketing of the profession;
- the suggestion that actuaries should follow the code if their association has not adopted it may not respect the subsidiarity principle;
- the importance of actuaries communicating effectively.

Yvonne thanked members for these comments, and asked for any further points to be sent to her as soon as possible.

4. Professionalism issues

4.1 *UK Actuarial Council*

The Committee received and noted a report from Seamus Creedon on the work of the UK Actuarial Council. Commenting on the opinions expressed by Seamus in his report, Paul Kennedy responded:

- the main difficulty experienced by both the IFoA and the FRC is getting buy-in and access to intelligence from the monitoring activities of the statutory regulators; Paul suggested that local associations in other member states faced similar challenges. The two parties have agreed to work to improve the specification of the data the IFoA collects particularly about the roles of actuaries, to supplement the existing membership information which it publishes annually.
- the current split of ethical and technical standards is working well, and should continue, but with greater flexibility so as to allow the IFoA to issue guidance on technical issues and the FRC to include ethical matters in its standards, subject to appropriate coordination. The distinction is helpful in that the FRC's technical standards for "actuarial work" can also be picked up by regulators for non-actuaries and entities – a bit like accounting standards - while IFoA standards are specific to its members.
- the FRC and IFoA had agreed that their responses to developments should be closely coordinated. In the international context it had been agreed that the FRC should be prepared to offer its resources (ie staff) alongside other IFoA representatives to support the work of the IAA and the Groupe Consultatif.

4.2 ***Mutual Recognition Agreement – Actuarial Society of South Africa (ASSA)***

Malcolm Campbell reported that draft proposals for a mutual recognition agreement between ASSA and individual member associations of the Groupe, based on the Groupe's own MRA and the Heubeck letter, would be discussed during the forthcoming IAA meetings. He suggested that it may be timely to consider exploring similar agreements with individual associations in the US.

4.3 ***Competition legislation issues***

The Chairman referred to a presentation on competition legislation which had been commissioned by the Institute and Faculty of Actuaries, and identified areas where professional associations may be at risk of breaching European law. Ben Kemp drew attention to the general advice on good practice to ensure compliance, in particular the need to ensure appropriate governance in discussing/sharing potentially commercially sensitive data. He noted that committee members in the IFoA received training on such issues as part of their induction. Ben emphasised the importance of member associations seeking local legal advice.

The Chairman also drew attention to the 'special case', specifically identified in the presentation, and discussed by the Committee at its last meeting, of the fine imposed on the Portuguese Association of Chartered Accountants in respect of their anti-competitive monopoly on the provision of CPD.

In conclusion, the Chairman stressed the fact that professional associations are just as exposed to the rigours of competition law as commercial undertakings. He underlined the need for individual associations to seek appropriate legal advice specific to their own local circumstances and practices.

5. Fully Qualified Actuary – Categories of membership

The Chairman referred to the report noted on his survey into the categories of membership which correspond to Fully Qualified Actuary (FQA) in different associations. The results showed that the current basis for payment of fees to the Groupe is largely consistent across member associations, with a minor possible exception which needed further investigation. However responses to the survey suggested that there are significant variations between associations in relation to CPD and experience requirements for FQAs. The Chairman pointed out that information on CPD and experience requirements had not been requested in the survey, but had been included gratuitously by some associations: he suggested that these areas might be worth further investigation if there is a wish to achieve greater harmonisation of the profession. Another question, suggested by Thomas Béhar, was whether the numbers of FQAs returned for fee purposes included those practising overseas.

It was agreed that the survey should be regularly reviewed – say, every 3 years – to include the additional questions identified above.

6. Role of the Actuary / Actuarial Function

6.1 Ad Kok referred to his draft paper, and explained that it focussed on the external audit environment. The text is based on the Groupe's responses to EIOPA's recent pre-consultation on External Audit. He acknowledged that significant further work is required to integrate these responses into a coherent narrative, which he intended should seek to broaden EIOPA's narrow perspective of external audit and, in particular, to establish the public interest and transparency of having appropriately qualified professionals to audit the actuarial function report and the expert judgement needed to prepare it. The audience for the paper should be all Solvency II stakeholders, including national supervisors and member associations. Ad emphasised the importance of involving local actuarial associations, who would be responsible for engaging and convincing national supervisors of the merits of an actuary in external audit. He also pointed out that a meeting with European accountants' professional body (FEE) is scheduled for late October, and that he hoped to have a more substantial draft available for discussion at this meeting. He had a concern that, if the Groupe were not active in this area, all the roles involved in auditing might be attributed to accountants and not actuaries.

The Committee supported the development of the paper along the lines described by Ad. Further volunteers to support Ad and Karel were invited to contact Ad, and will also be requested during the discussion of the paper at the Insurance Committee meeting. .

6.2 The Committee noted the draft letter and short statement on fit and proper policies, which were intended to help local associations draw the attention of national supervisors and undertakings to the benefits of using qualified actuaries to undertake the actuarial function (and report). Member associations should translate and adapt the letter and statement as appropriate for their local circumstances, and send it to national supervisors and insurance undertakings.

7. Global ERM qualification

No new developments were reported.

8. Groupe Consultatif and IAA – issues of mutual interest

The 30-day agenda for the forthcoming IAA meetings in Singapore in October was noted. Issues of particular interest included:

- actuarial standards;
- admission of the Albanian Actuarial Association as an Associate Member of the IAA;
- governance review;
- a session on international regulation to be held as part of ICA 2014 in Washington.

9. Report by Groupe Officers to General Assembly

The Committee noted the Officers' report to the General Assembly. Thomas Béhar emphasised the need for greater engagement with member associations in relation to strategy development, and more information on progress against the Action Plan and its

objectives. The Chairman of the Groupe, Karel Goossens, explained that the strategy document and the Action Plan had been separated in response to a request by the General Assembly in Rome. The strategy document (mission and vision) would be reviewed every 3-5 years by a small task force, while the Action Plan should be updated every year by the Officers and approved by the General Assembly.

10. Activities in the Committees of the Groupe

The Committee noted the reports to be presented to the Annual Meeting of the Groupe by its Committees. (This reflects the Committee's remit to " … keep under review … the general operations … of the Committees").

11. Meeting with Internal Market DG

The Committee noted the report of the meeting between the Officers of the Groupe and the Deputy Head of Internal Market DG Insurance Unit, held on 5 June 2013.

12. Meeting with EIOPA

The Committee noted the report of the meeting between the Officers of the Groupe and the Chairman and staff of EIOPA, held on 5 July 2013.

13. Future Annual Meetings and Spring Meetings

13.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

- 2013 – Dublin, Ireland – 27 September 2013
- 2014 – Helsinki, Finland – 3 October 2014
- 2015 – Bucharest, Romania – *tbc*

Offers to host future Annual Meetings from 2016 onwards were invited.

13.2 ***Spring Meetings***

Future Spring Meetings were confirmed as follows –

Standards, Freedoms & Professionalism / Insurance Committees
2014 – Vilnius, Lithuania – 24/25 April 2014

Pensions, IFR and Education Committees
2014 – Brussels, Belgium – 9 May 2014

Offers to host future Spring Meetings from 2015 onwards were invited.

14. Information Exchange

The Chairman drew attention to information from Ireland (attached to these minutes as **Annex II**).

15. Any other business

There was no other business.

16. Date of next meeting

It was noted that the next meeting of the Committee will be held in Vilnius on 24 April 2014 at the invitation of Lietuvos aktuarų draugija, (with a meeting of the Insurance Committee on 25 April).