ACTUARIAL ASSOCIATION OF EUROPE
ASSOCIATION ACTUARIELLE EUROPÉENNE

4 PLACE DU SAMEDI
B-1000 BRUSSELS, BELGIUM

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

E-MAIL: info@actuary.eu
WEB: www.actuary.eu

MINUTES
of a meeting of the
STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE
held in Paris, France
on Thursday, 26 March 2015

PRESENT:

Committee:

David Martin (Chairman)	Institute and Faculty of Actuaries
Peter Prieler	Aktuarvereinigung Österreichs
Karel Goossens	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Jiři Fialka	Ceská Spolecnost Aktuáru
Esko Kivisaari	Suomen Aktuaariyhdistys
Thomas Béhar	Institut des Actuaires
Gábor Hanák	Magyar Aktuárius Táraság
Yvonne Lynch	Society of Actuaries in Ireland
José Manuel Mendinhos	Instituto dos Actuarios Portugueses
Maria Kamenarova	Slovenská spoločnost' aktuárov
Lutz Wilhelmy	Association Suisse des Actuaires
Ad Kok	Chief Executive
Michael Lucas	Secretary-General

Members of the General Assembly and other Committees:

Michael Renz	Deutsche Aktuarvereinigung
Wilhelm Schneemeier	Deutsche Aktuarvereinigung
Regis De Laroulliere	Institut des Actuaires
Philip Shier	Society of Actuaries in Ireland
Florin Ginghina	Asocitatia Romana de Actuariat
Julia Brtanova	Slovenská spoločnost' aktuárov
Malcolm Campbell	Svenska Aktuarieföreningen
Felix Arias	Col.legi d'Actuaris de Catalunya
Dieter Köhnlein	Standards Project Team

Observers:

Emma Gilpin	Institute and Faculty of Actuaries
Siân Barr	UK Financial Reporting Council

Apologies for absence:

Detelin Koitchev	Bulgarian Actuarial Society
Ian Morris	Channel Islands Actuarial Society
Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Nicos Koullapis	Cyprus Association of Actuaries
Peter Melchior	Den Danske Aktuarforening
Kati Hoop	Eesti Aktuaaride Liit
Marianna Papamichail	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Nino Savelli	Istituto Italiano degli Attuari
Vicenzo Urciuoli	Consiglio Nazionale degli Attuari
Inga Helmane	Latvijas Aaktuãru Asociãcija
Matthias Foehr	Association Luxembourgeoise des Actuaires
Rokas Gylys	Lietuvos Aktuarijų Draugija
Jean-Paul Shipley	Malta Actuarial Society
Ron Hersmis	Het Koninklijk Actuarieel Genootschap
Anne Sundby Magnussen	Den Norske Aktuarforening
Wojciech Mojzuk	Polskie Stowarzyszenie Aktuariuszy
Igor Zoric	Udruženje Aktuara Srbije
Jernej Merhar	Slovensko Aktuarsko druśtvo
Luis Sáez de Jáuregui	Instituto de Actuarios Españoles
Kerem Özdağ	Actuarial Society of Turkey
Tony Hewitt	Institute and Faculty of Actuaries
Antonina Redka	Society of Actuaries of Ukraine

1. Opening of the meeting and adoption of the agenda

The Chairman welcomed members to Paris, particularly those for whom it was their first meeting, and thanked Institut des Actuaires for hosting the meeting.

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

The Chairman confirmed that there were no items of reserved business for discussion at the end of the meeting.

2. Minutes of previous meeting

2.1 The Minutes of the meeting of 2 October 2014, held in Helsinki, were confirmed.

2.2 It was noted that the AAE position paper on the Independent Review of Solvency II Reports

was published in November 2014. Ad Kok reported that meetings are now being arranged with other stakeholders (in particular CRO Forum and Insurance Europe) to discuss the paper.

3. Actuarial Standards

3.1 The Committee noted Chris Daykin's report from the Standards Project Team (SPT) summarising its activities since the Committee's last meeting. The main issues requiring discussion or decision by the Committee are the subject of separate sections of Minute 3 below.

3.2 Dieter Köhnlein summarised the background to the further work on ESAP2 by the drafting team since the Committee's last meeting, and following the promulgation of the final Level 2 measures and Level 3 EIOPA Guidelines. He explained that only minor comments had been received, and amendments made, to the previous 'working draft' presented at the Helsinki meeting. He regretted that there had been insufficient time to ensure that this latest draft could be distributed to member associations well in advance of the meeting. Consequently it is proposed to circulate a final version of the Exposure Draft after discussion at the meeting for a formal electronic vote of approval. If the Committee approve the draft ESAP2 for exposure, there will be a three month period of exposure from 1 June to 31 August. This would then enable the drafting team to prepare the Basis for Conclusions for publication and invite the General Assembly to approve the model standard at the meeting in Bucharest on 25 September.

Members of the Committee were invited to submit any further comments on the draft by the end of April, following which there will be an electronic vote to seek approval to circulate a formal Exposure Draft according to the above timetable. Thomas Béhar emphasised the need to have ESAP2 in place by the end of 2015, otherwise Actuarial Function reporting will be introduced on an *ad hoc* basis.

3.3 Gábor Hanák summarised the work of the Risk Management Task Force to prepare a draft of the proposed standard ESAP3 on Actuarial practice in relation to the ORSA process under Solvency II. He explained that this has not quite reached the stage of an exposure draft ready for the Committee to approve for promulgation to member associations and other stakeholders. However, he invited the Committee to discuss the present draft, and the Task Force will take into account comments made during the meeting, or received in writing by the end of April, in drawing up the final version of the exposure draft, which will then be submitted to the Committee for an electronic vote in May. Gábor acknowledged that it would not be possible to seek approval for ESAP3 by the General Assembly in Bucharest in September as originally proposed, since it is necessary to obtain approval first at a face-to-face meeting of the Committee. Therefore he suggested that the timetable for ESAP3 be amended to seek approval by the General Assembly via an electronic vote following the Committee's meeting in Spring 2016.

A number of issues were raised during a wide-ranging discussion, in particular –

- application of ESAP3 an ORSA team which comprises both actuaries and non-actuaries: it cannot be enforced for non-actuaries but the AAE would wish it to be seen as providing guidance for them
- differentiation may be required between actuaries working in the Actuarial Function and the Risk Management Function
- 'ownership' of the ORSA process, particularly if a non-actuary
- a separate section on communication may be required
- a draft of the accompanying EAN is required to be considered alongside the draft ESAP
- the treatment of proportionality under ESAPs 1 and 3 needs further consideration

.

In addition, Sian Barr drew attention to the concerns of the UK Financial Reporting Council –

- as presently drafted, the scope of ESAP3 is too broad, and it is aimed at too many actuaries
- much more than currently suggested should be moved to the EAN
- the standard should be much shorter and focus on what is not already covered by Solvency II
- whether an actuary actually carries responsibility within the ORSA process
- drafting issues (e.g. use of the wording "bear in mind")

Esko Kivisaari pointed out that no work had been started on drafting the EAN since this would have been difficult without at least an outline of ESAP3: with this now available he will progress the EAN within the Insurance Committee. Gábor suggested that some of the issues which had been raised could be addressed in a Q&A note, although the view was expressed that having three documents: a standard, an EAN and a Q&A might be rather cumbersome.

Members of the Committee were invited to submit any further comments on the draft by the end of April, following which there will be an electronic vote to seek approval to circulate a formal Exposure Draft.

3.4 Presenting the revised SPT work-plan, Gábor referred to the proposed ESAP [5] (Independent Review) and the relegation of Actuarial Practice in relation to Internal Models. In a discussion of ESAPs more generally, it was pointed out that the IAA is considering amending ISAP1 to include modelling: this would have a knock-on effect on ESAP1, and is likely to delay the adoption of ISAP1/ESAP1 by associations. Several Committee members expressed a preference that modelling should be the subject of a separate ISAP in order not to interfere with local processes to adopt ISAP1/ESAP1. Malcolm Campbell urged member associations either to express their concerns directly at the forthcoming IAA meetings in Zurich or, if unable to attend, to make proxy representations. Ad Kok was asked to contact those associations not present at the meeting about this issue.

Felix Arias suggested a standard on Proportionality. However others suggested that this is

an issue for management, or professional judgement, which could perhaps be best addressed via an EAN.

The Committee approved the revised work-plan, subject to the amendment in 3.3 above regarding a delay in seeking General Assembly approval for ESAP3 until an electronic vote following the Spring 2016 meeting.

3.5 The Committee noted a summary of the IAA survey monitoring the adoption of ISAPs, which includes separate monitoring of the European Associations. The Chairman pointed out that there has been no formal monitoring so far of ESAPs as only ESAP1 (a clone of ISAP1, so covered in monitoring of ISAP1) has so far been issued..

3.6 Yvonne Lynch presented a summary of draft proposals for a revised Code of Conduct. She highlighted:

- the extent of the Code itself was significantly reduced from the first draft seen in Dublin (September 2013), with a lot of material moved to an explanatory/Q&A note which can be updated more readily
- application to part-qualified actuaries should be addressed in the Q&A
- consistency with ESAP1 and the IAA Code of Conduct
- the importance of associations educating their members in the provisions of the association's Code of Conduct and ensuring compliance with them

In discussion of these proposals a number of other issues arose, including –

- Should the Code contain a stronger statement on undue influence? Yvonne pointed out that this would make it harder for associations to adopt, and suggested that this point could be covered in the Q&A document.
- Application of the Code would be limited to actuaries: it would not apply to honorary (or similar) members who are not actuaries (although this could be recommended to associations).
- What transitional arrangements/period should apply? 3-6 months consultation with member associations will take place before the revised code can be agreed, This would be followed by 2-3 years before full implementation after agreement is reached.
- Exposure for comment to external organisations? Other stakeholders and standard-setters.
- Sub-title should make clear that the Code applies to associations, not individual actuaries
- Definition/application of "integrity" – restrict to actuarial activities which reflect on the profession/association, perhaps linked to the 'fit and proper' concept, and with some time limitation. It was noted that the UK Institute and Faculty Code of Conduct includes a definition of integrity, and it was agreed that this should be carefully considered for use here.
- Translation into other languages of certain expressions (e.g. spirit of/letter of)

- Compatibility of the Code with local legislation
- "Actuarial services" may be too narrow: how should the Code apply to an actuary providing other professional services? This should be covered in the Q&A through reference to "use of actuarial principles and methodology".

Yvonne will prepare a revised draft incorporating the points from the discussion.

4. Independence Management Plan – Model Protocols

The Committee considered the outline paper by Tony Hewitt. A number of concerns were raised over lack of clarity, and in relation to inconsistencies with Solvency II compliance. The Chairman will refer this matter back to Tony for re-drafting. Karel Goossens also suggested that Tony should submit the revised paper to the Roles of Actuaries task force, of which he is a member, in the first instance. The Chairman will discuss the issue of the proposed standard ESAP[5] with both Chris Daykin and Tony Hewitt.

5. Professionalism issues

5.1 ***UK Financial Reporting Council***

Sian Barr presented a brief report on activities in the UK Financial Reporting Council (FRC). A copy of Sian's report is attached to these minutes as **Annex II**. Commenting on the survey of confidence of perceptions of actuarial quality from stakeholders of the providers of actuarial services, , the Chairman suggested that the Officers might consider whether AAE should undertake a similar survey of stakeholders of member associations.

5.2 ***Mutual Recognition Agreement***

It was noted that associations have been reminded to recommend to their members working in another country that they join the host association..

5.3 ***Continuing Professional Development***

It was noted that that details of national CPD schemes and accredited events are now included on the AAE web site. Ad Kok encouraged associations which have not yet submitted information for the web site to do so (in English) as soon as possible.

In a brief discussion on the question of compulsory CPD, it was noted that some national regulators require mandatory CPD for certain responsible roles. Gábor Hanák believed that the profession needs to be able to demonstrate that it has fully embraced CPD, which regulators will expect as part of the 'fit and proper' requirement. Malcolm Campbell suggested that the most important aspect is that an actuary should document CPD undertaken and learning outcomes achieved.

The Chairman confirmed that the Officers will discuss the issue of whether AAE should introduce a requirement for its member associations to require, in turn, compulsory CPD for their members.

5.4 ***List of European actuaries***

The Committee considered the question of whether AAE should publish a list of all European actuaries. Although this was seen by some as in the public interest, and in line with other professions, it was pointed out that names could only be published on a voluntary basis and subject to data protection legislation. Ad Kok pointed out that a list of names and e-mail addresses would allow AAE to circulate push e-mails on important issues. He suggested that the list would be made available to members only. Thomas Béhar noted that the Institut des Actuaires earned significant external revenue by allow use of members' e-mail addresses for circulation of selected material to its members.

Ad agreed to prepare a proposal for consideration by the Officers in the first instance, taking into account the arrangements the IAA use.

6. Roles of Actuaries / Actuarial Function

Karel Goossens gave a short report outlining progress by the RoA task force. He referred in particular to:

- agreement of Terms of Reference
- establishment of four workstreams
    - Actuarial Function and other actuarial roles under Solvency II
    - Roles for actuaries in the Actuarial and Risk Management Function under IORP2
    - Roles for actuaries under risk management and/or the risk management function
    - Independence of actuaries under the various roles
- memo on roles of actuaries sent to EIOPA
- input to position paper on independent review of Solvency II reporting
- input to discussion and advice to Italian associations on loss of Appointed Actuary role

Karel also presented a brief summary of the responses received so far to the updated questionnaire on actuarial roles under Solvency II (attached to these minutes as **Annex III**). Florin Ginghina and Maria Kamenarova reported briefly on the position in Romania and Slovakia respectively. Karel urged other associations to submit their responses so that a more comprehensive overview can be obtained. Ad hopes to create this as a continuously updated information resource on the AAE web site. Karel will also liaise with Tony Hewitt over the actuary's role in independence management plans (item 4 above).

Gábor Hanák drew attention to the OECD Guidelines on Insurer Governance, in particular the 'fit and proper' requirement that the actuary/AF should be a member of a professional association with standards of actuarial practice and ethics, and suggested that AAE should seek to build on this. He also suggested that AAE should update its survey on the number of actuaries.

7. Consumer Protection

The Chairman reported that the paper on Conduct Risk Indicators circulated with the agenda was the same as the version previously considered by the Committee. A number of comments have been made by the Officers, particularly on whether reference to pensions should be excluded from the paper, and the Consumer Protection task force will review the paper in the light of these comments. Gábor Hanák drew attention to the political issue of 'due regard for the interests of consumers' which he believed AAE should avoid. Esko Kivisaari referred to the budget cuts recently announced by EIOPA, which are likely to result in a reduced level of activity on consumer protection issues.

8. Global ERM qualification

Malcolm Campbell reported that there are now 16 award signatories, seven of which are European associations (UK, Germany, France, Switzerland, Netherlands, Sweden, Denmark). Several other European associations are also making preparations to apply, based on EAA material. Florin Ginghina observed that the CERA award is expensive for members of smaller associations.

9. Accreditation of member associations

The Chairman reported that, as there have not been further IAA meetings since this committee last met, he has not been able to make further progress yet to discuss this matter with the IAA Accreditation Committee. However he expects to do so at the forthcoming IAA meetings in Zurich.

10. AAE and IAA – Issues of mutual interest

The Chairman and Malcolm Campbell drew attention again to the proposal to amend ISAP1 to include modelling, and encouraged associations to register concern and their preference that this should be the subject of a separate ISAP. The Chairman also noted as other items of interest due to arise at the IAA Professionalism meeting:

- due process for several new ISAPs
- professionalism issues related to non-traditional roles

11. AAE Action Plan 2014/15: Review of Committee Priorities

The Committee confirmed the strategic objectives and priorities as set out in the current action plan. The Chairman noted that significant progress had been made in relation to external communications, and Ad Kok reported that further development of web-based communication is planned. A number of small amendments were added to reflect progress which has been made: the Chairman will consolidate these for inclusion in the overall AAE Action Plan report to the General Assembly.

12. Links with other organisations

12.1 **Commission Insurance and Pensions Unit**

It was noted that a meeting was held between Officers of AAE and staff of the Commission's

Insurance and Pensions Unit in Brussels on 16 January 2015.

12.2 **EIOPA**

It was noted that a meeting was held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 17 December 2014.

13. Future Annual Meetings and Spring Meetings

13.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

- 2015 – Bucharest, Romania – 25 September 2015
- 2016 – Barcelona, Spain – 23 September 2016
- 2019 – Vienna, Austria – *date to be confirmed*

Offers to host Annual Meetings in 2017 and 2018 were invited.

13.2 ***Spring Meetings***

No future Spring Meeting invitations have been received. Offers to host future Spring Meetings from 2016 onwards are urgently required.

On behalf of the Instituto dos Actuarios Portugueses, José Mendinhos invited the Standards, Freedoms and Professionalism Committee and the Insurance Committee to hold their Spring 2017 meetings in Lisbon, *dates to be confirmed*.

14. Information Exchange

The Chairman drew attention to information from UK (attached to the minutes as **Annex IV**).

15. Any other business

Thomas Béhar drew attention to the introduction of a new professional qualification in Big Data by the Institut des Actuaires - *Expert in Data Science*. Thomas will be happy to provide further information on request.

16. Date of next meeting

The next meeting of the Committee will be held in Bucharest on 24 September 2015, at the invitation of Asociatia Romana de Actuariat.