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

Report of Standards Project Team to Standards, Freedoms and Professionalism Committee meeting in Paris, 26 March 2015

ESAP2

Following promulgation of 1) the Level 2 measures for Solvency II and 2) the final version of the EIOPA guidelines on governance, the ESAP2 drafting team has prepared a revised version of the standard, which is now submitted to the Standards, Freedoms and Professionalism Committee (SFPC). There was insufficient time to ensure that this version could be distributed to member associations well in advance of the Paris meetings, so it is on the agenda for discussion and the final version of the Exposure Draft will be sent to the SFPC after the Paris meetings for a formal electronic vote of approval. Subject to approval being granted, it will then be exposed formally to member associations and other stakeholders (this being a second exposure, the first having taken place from 1 November 2012 to 1 March 2013). The revised version is based on the working draft which was promulgated to member associations on 31 May 2014 and on which comments were warmly invited – and a number were received that have now been taken into account in this latest draft.

If the SFPC approve the draft ESAP2 for exposure, it is envisaged that a three month period of exposure would be carried out, commencing on 1 June 2015 and finishing on 31 August 2015. 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.

ESAP3

In the light of the discussion at the SFPC meeting in Helsinki on 2 October 2014 the Standards Project Team (SPT) invited 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. This has not quite reached the stage of an exposure draft ready for the SFPC to approve for promulgation to member associations and other stakeholders. However, we present a draft for discussion at the SFPC meeting in Paris. The Task Force will take into account that discussion, and any written comments received within two weeks after the Paris meeting, in drawing up the final version of the exposure draft, which will then be submitted to the SFPC for an electronic vote at the beginning of May.

It was agreed at the Helsinki meetings that ESAP3 would be kept reasonably short and principles-based and that work would be carried out in parallel to develop an EAN on the ORSA process. This latter work is being taken forward under the auspices of the Insurance Committee. In preparing the ESAP the RMTF have identified a number of areas where they consider that

treatment in the EAN may be preferable to inclusion in the model standard. Some of these are highlighted in the draft ESAP which is included with the agenda papers for the SFPC meeting in Paris. Although the RMTF believes that these areas would be preferred in the EAN, these are far from being exhaustive as the RMTF has not attempted to identify all areas that could or should be in the EAN. Views are welcomed on whether the draft, if those parts that are identified as EAN candidates are removed, is achieving an appropriate balance between the model standard and the potential EAN.

Revised SPT work-plan

Finally we present an updated version of the SPT work-plan. This reflects the slight slippage in the timetable for exposure of ESAP2 and ESAP3. It is proposed that ESAP2 will have a three month period of exposure from 1 June 2015, since this is a second exposure and the working draft has been in the public domain for almost a year now. This would enable the final version of ESAP2 to be ready for adoption by the General Assembly in Bucharest on 25 September. A four month period of exposure is envisaged for ESAP3, commencing on 1 June 2015, but this will mean that it will not be possible for the General Assembly to adopt the model standard at the meeting in Bucharest. Instead there will need to be an electronic vote taken in October/November 2015.

The SPT is also now proposing that work should start on considering whether to develop a Proposal to Develop a Standard (PDS) in respect of the next two possible model standards. One of these would relate to the contribution of the actuarial function to the risk management system under Solvency II. The other would concern the role of the actuary in carrying out independent review under Solvency II. This might include review of the actuarial function report, the ORSA process and reporting and the Solvency and Financial Condition Report. However, it would most likely not include any material specific to particular reports or work which might be reviewed, but take a completely generic approach to independent review, akin to the standards which apply to auditors. If that is the case it would not necessarily be limited in scope to Solvency II related topics. If this wider scope is pursued, then liaising with the IAA would be desirable.

SFPC is invited to discuss whether they would welcome further work being carried out by the SPT on these possible further model standards, or if they have a strong preference for other topics to consider in our activity of developing ESAPs. It is envisaged that preliminary work would be carried out in the rest of 2015, with some informal consultation with member associations and stakeholders. If the SPT then consider that it would be appropriate to move forward to develop a standard (or standards), one or more PDS could be brought to the SFPC Spring Meeting in March/April 2016.

Chris Daykin
Convenor, Standards Project Team
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