GROUPE CONSULTATIF ACTUARIEL EUROPEEN
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REPORT
of the
Standards, Freedoms and Professionalism Committee
to be presented to the
meeting of the Groupe Consultatif
in Dublin on 27 September 2013

The Committee met once during the year, in Edinburgh on 11 April 2012, and presents this report to the Groupe on its activities over the past year and issues of current concern. The Chairman will provide an oral report of the Committee's meeting in Dublin on 26 September.

1. Actuarial Standards

The Exposure Draft of a model Standard on Actuarial Reporting under Solvency II (GCASP2) was sent to Member Associations and external stakeholders in November 2012 for consultation. At the end of May, the Groupe published the conclusions the Standards Project Team (SPT) had drawn, based on responses from 10 member associations, the International Actuarial Association, Insurance Europe, the UK Financial Reporting Council, and the Solvency II Pillar I Non-Life working group. The various points that were made in the responses have been taken into account in preparing a revised "working draft" of GCASP2 which appears elsewhere on the Committee's agenda.

In relation to GCASP1 (Quality of actuarial work), the SPT has agreed that the corresponding IAA standard (ISAP1) should be adopted as GCASP1, subject to the necessary due process. An Exposure Draft appears elsewhere on the Committee's agenda.

The Task Force reviewing the Code of Conduct has been active in comparing codes of conduct of other actuarial bodies and other professions, and has also reviewed issues such as confidentiality and appropriate circumstances for disclosure; whistle-blowing, including protection for whistle-blowers; and communication. Draft proposals for a revised Code of Conduct appear elsewhere on the Committee's agenda.

2. Mutual Recognition Agreement outside Europe

The request from ASSA to establish a Mutual Recognition Agreement with the Groupe has been discussed between representatives of the two organisations, and draft proposals for an Agreement appear elsewhere on the Committee's agenda.

3. Criteria for Groupe Membership

The Committee agreed that there should be a regular review process to ensure that member associations continue to comply with the requirements for membership (education syllabus, code of conduct, disciplinary procedure, etc). In the context of the education syllabus, it was noted that the IAA has such a review process, and it is hoped to reach an agreement whereby the Groupe would accept compliance with this in order to avoid duplication, or vice versa that the Groupe devise and introduce its own process which the IAA would accept. The Education Committee is currently addressing this point. The Officers and the Membership Advisory Group will devise a suitable process for regular self-assessment to address the wider question of ensuring continuing compliance with membership requirements, with a follow-up full external assessment if necessary.

4. Role of the Actuary/Actuarial Function

The task force on the Role of the Actuary is continuing to develop a follow-up paper to the Groupe's position paper "*Raising the bar on insurance technical expertise*". At the same time, and in collaboration with the Insurance Committee, a short paper has been drafted which reviews the fit and proper requirements, and identifies how actuaries meet these and can fulfil a number of other (wider) functions. It is proposed that national actuarial associations and their members should be encouraged use this to draw to the attention of the management of insurance undertakings the necessary fit and proper policies.

5. Global ERM qualification

The Officers are considering the possibility of organising an event (perhaps during the Spring meetings in Brussels) where CERA providers, including EAA, could present information which would be of particular value to smaller associations which do not have the resources to provide their own CERA programmes.

6. Legislation issues

The Chairman is continuing to monitor the position regarding implications for the Groupe and member associations of the ECJ ruling on compulsory training, and constraints imposed by EU legislation on the comparison and discussion of commercially-sensitive data.

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REPORT
of the Insurance Committee
to be presented to the
Meeting of the Groupe Consultatif
in Dublin on 27 September 2013

The Committee met formally once during the year, in Edinburgh on 12 April. In addition, conference calls were held in January, March, June and September. The Chairman will present an oral report of the meeting in Dublin on 26/27 September.

1. Solvency II

The Committee's activities over the past year have continued to be primarily focused on issues related to the Solvency II project. Following the departure of Seamus Creedon as project manager last October, David Paul and Siegbert Baldauf were appointed jointly to this role; at the same time, Thomas Béhar succeeded Manuel Peraita as project sponsor. The new management team reviewed the membership of the working groups to ensure active participants with appropriate experience and additional assistance in certain areas.

There has been regular interaction (including face-to-face meetings) with the European Commission and EIOPA in relation to consultations on:

- Interim measures
- Standard formula design/calibration
- Long-term guarantee assessment (LTGA)
- Proportionality
- External audit

The Groupe has submitted comments on all of these consultations. In addition, the Pillar 5working group is drafting a response to a consultation by the Financial Stability Board on principles for an effective risk appetite framework.

2. Market Consistency

The Solvency II project team is also working on a follow-up to the theoretical background paper on market consistency which was published in December. The aim of the follow-up is to examine practical applications and limitations of market consistency in specific situations. Initial contributions have been received from Germany and UK, and it is hoped to reconcile the framework and ideas proposed in these to create a paper which identifies limitations of applying

market consistency under Solvency II. The importance of ensuring consistency with the first paper was stressed.

3. Role of the Actuary/Actuarial Function

The task force on the Role of the Actuary is continuing to develop a follow-up paper to the Groupe's position paper "*Raising the bar on insurance technical expertise*". At the same time, and in collaboration with the Standards, Freedoms and Professionalism Committee, a short paper has been drafted which reviews the fit and proper requirements, and identifies how actuaries meet these and can fulfil a number of other (wider) functions beyond the Actuarial Function. It is proposed that national actuarial associations and their members should be encouraged use this to draw to the attention of the management of insurance undertakings the necessary fit and proper policies.

4. Actuarial Standards

This topic is covered in the report of the Standards, Freedoms and Professionalism Committee.

5. Green Paper on long-term financing of the European Union

The European Commission published its Green Paper on Long-Term Financing of the European Union at the end of March. The Insurance Committee, along with the Pensions and IFR Committees, contributed to the Groupe's response which was submitted to the Commission and published at the end of June.

6. Green Paper on natural catastrophes and man-made disasters

The European Commission published its Green Paper on natural catastrophes and man-made disasters in April. The Committee drafted the Groupe's response which was submitted to the Commission and published at the beginning of July.

7. Discrimination and competition issues

Following the abandonment of the survey on the effect of implementing the ECJ ruling on gender (in particular in relation to pricing) in the light of constraints imposed by EU competition legislation, which prevents individuals, companies or organisations (other than competent authorities) from discussing or comparing commercially sensitive data, the Chairman of the Standards, Freedoms and Professionalism Committee is continuing to monitor the position regarding implications for the Groupe and member associations.

8. Meeting with CRO Forum

A meeting took place with CRO Forum in March at their request to discuss general governance issues in relation to the actuarial function and the risk management function. It is important for the Groupe's independent position to maintain an arm's-length relationship with industry, although CRO Forum may be able to help with our information gathering, and it may be appropriate to share some ideas with them. At the meeting there was also an exchange of information on discrimination issues, and CRO Forum requested further information on CERA.

9. Meeting with European Central Bank

In April members of the Solvency II project team met representatives of the ECB's Monetary and Financial Statistics Unit. The ECB officials outlined how they collect statistical information from reporting agents using published data of companies. Statistics for ECB usage need to be compiled from information that is comparable, can be aggregated across countries, and has a good timeliness and frequency. The ECB expects the QRT required by Solvency II to be helpful for this purpose. Additional data might be collected from other sources, including directly from insurance undertakings.

10. Cyber risks

The European Commission is seeking information on cyber risks in insurance. They have already discussed the issue with Insurance Europe, and may wish to have actuarial input. Volunteers with interest or expertise in this area are needed.

11. IFRS 4

A re-exposure of IFRS 4 was published in June. The IAA will respond to this in respect of the significant issues for the actuarial profession.

12. Relationship with European Commission

The Groupe, and the Solvency II project team in particular, has enjoyed a strong relationship with the Insurance and Pensions Unit of the Commission's DG Market for some time. However, with the retirement of Karel van Hulle as the head of Unit at the end of February 2013, and the changeover of many of the unit's staff, it will be necessary for the Officers and the project management to establish and develop a new relationship.

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REPORT
of the Pensions Committee
to be presented to the
Meeting of the Groupe Consultatif
in Dublin on 27 September 2013

The Committee met once during the year, in Vienna, on 22 March. The Chairman will present an oral report of the meeting which will be held in Dublin on 26 September.

1. Review of IORP Directive

The Committee has continued to contribute actively to the EIOPA discussions on the Quantitative Impact Study (QIS), and drafted the Groupe's response to EIOPA's consultation on "Draft Implementing Technical Standards on reporting of national provisions of prudential nature relevant to occupational pension schemes". Following publication in May of the initial results of the QIS, the Commission announced its decision to postpone the implementation of Pillar 1 in the revised IORP Directive.

Additionally EIOPA has established a working group to consider sponsor support further, and the Committee has had the opportunity to contribute to the EIOPA discussions on this issue.

EIOPA also published a consultation on an initiative for 3rd pillar pensions. This defines the characteristics of products with a view to encouraging financial institutions to be more innovative and also facilitating cross-border provision. The Social Security Sub-Committee is preparing a response to this consultation (deadline 16 August).

2. Portability

The draft Directive on portability, on which the Committee has produced a position paper, was discussed by the EU presidency in March. At the EU Employment Council meeting on 20 June, EU Employment ministers recognised the progress that has been made so far on the portability directive which dates back to 2005, which set out to improve the acquisition and preservation of supplementary pension rights. Following the European Parliament's opinion in 2007, the Commission adopted an amended proposal which excludes the issue of transferability.

The Irish EU presidency tabled a compromise suggestion, restricting the scope of the directive to cases of mobility between Member States only. The compromise suggestion would leave

the Member States free to decide on the rules they apply to internally mobile workers. However, the Council and the Commission made a statement encouraging Member States to ensure the equal treatment of internally and externally mobile workers.

3. Market Consistency

Following the theoretical background paper on Market Consistency (published in December) there will be a follow-up paper which will examine practical applications and limitations of market consistency in specific circumstances from a pensions point of view.

4. Sustainability of Pensions Systems; Social Security Sub-Committee

The original paper on sustainability by the Social Security Sub-Committee (SSSC) has attracted considerable interest from other stakeholders, in particular the Commission's DG Employment, and a number of meetings have been held with these stakeholders. Two dedicated working groups have been established to take forward specific projects:

- ***Methodology for projections for the 2015 Ageing Report***
  The working group presented its conclusions to DG Ecfin in April and may have further discussions after the summer. The conclusions provided actuarial advice on how to srengthen the pension modelling approach by improving the accuracy of projections of pensions and ensuring consistency of projection outcomes and thus cross-country comparability.

- ***Tracking services***
  The working group has drawn up preliminary conclusions and is due to discuss these further with the Commission. The conclusions focus on how pension information is collected in Denmark, Finland, Netherlands and Sweden (countries considered to be amongst the most advanced in this field). This will then be followed by a report documenting the approaches – and challenges faced – by other countries.

The SSSC is considering further work on sustainability and adequacy, and annuities/ decumulation, where DG Employment is keen to have the Groupe's input.

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REPORT
of the
Investment and Financial Risk Committee
to be presented to the
Meeting of the Groupe Consultatif
in Dublin on 27 September 2013

The Committee has met once during the year, in Vienna on 22 March, and presents this report of its activities to the Groupe. The Chairman will report orally to the Groupe on the meeting of 27 September.

1. Sovereign Debt Risk: Solvency II and Basel III

The Groupe's position paper, "*Comparison of the Regulatory Approach in Insurance and Banking in the Context of Solvency II"* was published in early January and sent to the EU institutions and other stakeholders. The paper has drawn considerable interest in meetings with the Commission, MEPs, ECB, EBA and other stakeholders.

The Chairman believes that there is scope for further work in other areas, e.g. comparing MiFID with UCITS.

2. Market Consistency

The educational note on a general theoretical actuarial framework for the concept of market consistency was well received by other stakeholders, although the follow-up papers which will address practical application of market consistency principles in specific areas in Insurance and Pensions will be of greater interest, in particular to EIOPA and the Commission. Members of the IFR Committee may be able to help the Insurance and Pensions Committees with the second-stage papers. In addition, the IFR Committee will prepare a list of frequently-asked questions (FAQ) and answers in relation to the theoretical first paper.

In the light of doubts whether the Groupe's web portal on market consistency was a worthwhile resource, a questionnaire was sent to member associations to obtain feedback on the portal's use. From the responses, it was concluded that Member Associations are generally supportive, although they revealed a lack of awareness of the web portal. The Committee Chairman will discuss with the Officers the possibility that resources might be

available to maintain and develop the portal.

3. Shadow Banking

The Committee Chairman has had meetings with the European Parliament and the Commission unit in DG MARKT responsible for the Shadow Banking dossier. During discussions with the Commission it emerged that the Commission was expected to publish, by June, a Communication (not legislative proposal) that will include a road map identifying financial services priorities. The Communication will also summarise what has been done so far in the Shadow Banking area, including proposals on money market funds and security lending, what the possible next steps are, and possibly organise another round of consultation.

4. Commission consultation on Long Term Investment Funds

The Commission published its Green Paper on Long-Term Financing of the European Union at the end of March. The IFR Committee, along with the Insurance and Pensions Committees, contributed to the Groupe's response which was submitted to the Commission and published at the end of June.

5. European Banking Authority

The Chairman of the Committee had a meeting with the Regulations department of the European Banking Authority to introduce the Groupe and the work of actuaries, and to discuss the Groupe's paper "*Comparison of the Regulatory Approach in Insurance and Banking in the Context of Solvency II*".

During the discussions it became clear that both the IFR Committee and the Regulations department of the EBA have a number of mutual interests such as CRD IV; Shadow Banking; stress-testing; PRIPS; and regulation of indices. EBA is particularly focussing on financial conglomerates; and the Directive on Banking Recovery and Resolution, among other things. Discussion on the use of models and their differences between the banking and insurance environment also took place. The EBA pointed out that they would welcome comments by the Groupe on its public papers.

6. Review of 2006 Risk Management Survey

The Committee is considering updating the survey of risk management practices in five different sectors (banks, general insurers, life insurers, pension funds, asset managers) which it undertook in 2006. The survey was a major exercise, both in terms of obtaining responses and analysing them, but the report was not promoted beyond member associations. With the changes in the regulatory environment, it would be appropriate to update the survey and to provide the results to other stakeholders: MEPs in particular may find it useful to be aware of inconsistencies between different sectors. However it may be better to delay updating the survey until the new regulatory processes have become fully established, when it would be possible to compare differences in practices and regulations.

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REPORT
of the Education Committee
to be presented to the
Meeting of the Groupe Consultatif
in Dublin on 27 September 2013

The Committee met once during the year, in Vienna on 22 March. The Chairman will present an oral report of the meeting which will be held in Dublin on 26/27 September.

1. Assessment Procedure

There has been much discussion in the last two meetings of the Education Committee, and in a working group, on the assessment procedure to ensure that member associations meet the Groupe's Core Syllabus.

A self assessment template was agreed at the Vienna meeting, after much discussion, to cover associations with their own qualification process as well as those using university based routes to membership. Four levels of depth of coverage were specified;

- Assumed pre-knowledge
- Not covered or superficially covered
- Comprehension - Understands the meaning of learning material
- Analysis - Breaks down material into component parts and understands the relationship between parts and organisational structure of material

Associations were then asked to complete the template by the end of June: not all did so and after various reminders, 20 completed forms have been received and analysed.

The issues which follow from the exercise are to identify the best way forward with the exercise. While self assessment enables all associations to demonstrate that they cover the Core Syllabus, there is no checking process on claimed coverage either at the outset or on a continuing basis. While this approach is similar to that used by the IAA, there is no scrutiny and no check that associations or their agencies continue to meet the Core Syllabus requirements.

A more stringent process could be devised, for example based on the approach used by the CERA Review Panel, but this would involve more resource being allocated to the exercise and would take a considerable amount of time to assess all member associations.

2. Core Syllabus

The revised Core Syllabus is due to be in place fully by the start of academic year 2014-15, with an update due every 5 years. The next review will begin in 2014, after the current syllabus has been fully implemented. In relation to the issue of assessment process noted above, it is suggested that the next Core Syllabus should be written in terms of learning objectives rather than topics, in order to make assessment easier to relate to the syllabus.

3. CERA - Global Designation Enterprise Risk Management (ERM)

There were now 11 Award Signatories following the approval of Sweden. Israel is in the process of being reviewed. There are now around 1400 CERA award holders. The EAA is now offering courses and examinations covering the CERA syllabus which will make it easier for smaller associations to offer CERA if they become acceding parties to the Treaty. A review of the CERA syllabus is under way by a working group of the CERA Treaty Board. It is thought unlikely that any significant changes to the syllabus will result from the review.

4. CPD Strategy

The Committee considered the need to review the CPD Strategy which was last reviewed 5 years ago. The key issue is whether or not to make CPD mandatory. Most countries, but not all, have a mandatory system, and a survey of CPD systems in member associations undertaken a year ago found that while CPD is expected to be undertaken, it is not compulsory in some countries. It was suggested that the mandatory nature of CPD is an issue for the Standards, Freedoms and Professionalism Committee rather than the Education Committee.

It was noted that the current strategy requires the Education Committee to maintain a database of CPD events, which was not happening consistently on the Groupe Consultatif web site. Member associations and other providers of CPD courses need to inform the Groupe secretariat of such courses so that details can be added to the web site.