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MINUTES
of a meeting of the
STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE
held in Helsinki, Finland
on Thursday, 2 October 2014

PRESENT:

Committee:

David Martin (Chairman)	Institute and Faculty of Actuaries
Peter Prieler	Aktuarvereinigung Österreichs
Rossen Krachunov	Bulgarian Actuarial Society
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
Rokas Gylys	Lietuvos Aktuarijų Draugija
Ron Hersmis	Het Koninklijk Actuarieel Genootschap
Magne Nilsen	Den Norske Aktuarforening
Wojciech Mojzuk	Polskie Stowarzyszenie Aktuariuszy
José Manuel Mendinhos	Instituto dos Actuarios Portugueses
Marc Arias	Col.legi d'Actuaris de Catalunya
Jan-Åke Persson	Svenska Aktuarieföreningen
Lutz Wilhelmy	Association Suisse des Actuaires
Tony Hewitt	Institute and Faculty of Actuaries
Ad Kok	Chief Executive
Michael Lucas	Secretary-General

Members of the General Assembly and other Committees:

Karel Goossens	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Rainer Fürhaupter	Deutsche Aktuarvereinigung
Michael Renz	Deutsche Aktuarvereinigung

Birgit Kaiser	Deutsche Aktuarvereinigung
Florin Ginghina	Asocitatia Romana de Actuariat
Rafael Moreno	Instituto de Actuarios Españoles
Malcolm Campbell	Svenska Aktuarieföreningen
Alois Gisler	Association Suisse des Actuaires
Chris Daykin	Institute and Faculty of Actuaries
Nick Dumbreck	Institute and Faculty of Actuaries

Observers:

Suzie Lyons	Institute and Faculty of Actuaries
John Instance	UK Financial Reporting Council

Apologies for absence:

Ian Morris	Channel Islands Actuarial Society
Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Dimitris Dimitriou	Cyprus Association of Actuaries
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
Jean-Paul Shipley	Malta Actuarial Society
Igor Zoric	Udruženje Aktuara Srbije
Maria Kamenarova	Slovenská spoločnost' aktuárov
Jernej Merhar	Slovensko Aktuarsko druśtvo
Kerem Özdağ	Actuarial Society of Turkey
Antonina Redka	Society of Actuaries of Ukraine

1. Opening of the meeting and adoption of the agenda

The Chairman welcomed members to Helsinki, particularly those for whom it was their first meeting, and thanked Suomen Aktuaariyhdistys 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 drew attention to the attendance by external observers and indicated that, since there were items of reserved business which should be discussed only by AAE representatives, he would later ask the observers to withdraw so that a closed session could be held at the end of the meeting.

2. Minutes of previous meeting

2.1 The Minutes of the meeting of 24 April 2014, held in Vilnius, were confirmed.

2.2 Referring to Minute 5.1 (Role of the Actuary) of the previous meeting, the Chairman drew attention to the position paper on the Independent Review of Solvency II Reports, which had been circulated for information. He reminded the Committee that a draft of the paper had already been approved in principle at the last meeting, subject to any further comments received within a two week deadline. After further minor revisions, the paper had received final approval from the Officers.

Nick Dumbreck suggested some minor editorial amendments. José Mendinhos expressed concern that the paper did not define independence. It was noted that only two jurisdictions (Belgium and Switzerland) had introduced procedures for the supervisor to appoint independent reviewers, and Lutz Wilhelmy noted that the efficiency of the procedure was not well regarded in Switzerland. Chris Daykin drew attention to a discussion paper on operational independence prepared by the Standards Project Team in 2010, and suggested that this might provide a useful cross-reference or appendix.

John Instance referred to the consequences of actuaries giving assurnaces on audit opinions and wondered if a standard for actuarial reviews might be needed. It was thought that the Insurance Committee ought to discuss this issue also.

Ad Kok agreed to consider what modifications to the paper might be needed.

3. Actuarial Standards

3.1 Chris Daykin presented a 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 It was noted that note that ESAP 1 is on the agenda for approval at the General Assembly meeting on 3 October. The Committee confirmed its support for ESAP 1. Chris reminded the Committee that ESAP 1 is a *model* standard and, if approved by the General Assembly, it will be promulgated to member associations, to adopt, adapt, or confirm that an equivalent standard is already in place.

3.3 Chris presented the working draft of ESAP 2 which had been circulated to member associations following the last meeting of the Committee. He explained that it included a number of helpful suggestions made at that meeting, in particular the inclusion of a tabular version which shows clearly the links to the corresponding text of the Solvency II Directive. Associations were asked to make the working draft available to their members, and some useful comments have already been received from a few member associations. The timetable for preparing the second exposure draft is still dependent on finalisation of the Level 2 and Level 3 measures by the European Commission and EIOPA. Chris hoped that the SPT would be in a position to bring the exposure draft to the Committee towards the end of the year or very early in 2015, with a view to seeking General Assembly approval for the model standard at its meeting in September 2015. Chris also pointed out that ESAP 2 would help to underpin the position that actuaries who are members of AAE associations meet the

‘fit and proper’ requirements of the Directive.

Nick Dumbreck believed that ESAP 2 would be very useful for practitioners, but expressed concern that it could lead to very long Actuarial Function reports. He thought that a series of reports should be acceptable. In response Chris confirmed that the option of separate component reports would be allowed for..

3.4 Chris introduced the SPT proposal for developing a model standard (ESAP 3) relating to actuarial practice in connection with preparing an ORSA. He referred to the diverse views expressed at the last meeting about the need for actuarial standards in relation to risk management, or whether it would be more appropriate to develop one or more EANs. The SPT strongly recommends that work be started on an EAN relating to actuarial work in the ORSA, as there is considerable scope for the development of material which explores different techniques and practices, including case studies, in an emerging area of practice. At the same time, the SPT firmly believes that work should also be started on ESAP 3. The model standard should be fairly short and should concentrate on enunciating some clear actuarial principles. Since the proposal had only recently been circulated, Chris suggested that members of the Committee should have a month to discuss it within their association and submit any comments before taking an electronic vote.

There was some concern that non-actuaries involved in the ORSA process would not be subject to a standard and, as a result actuaries’ involvement might be reduced. On the other hand, such a standard might me extended to non-actuaries in order to encourage wider adoption. Gábor Hanák pointed out that the IAA has already approved two Statements of Intent to develop risk management standards: he believed that the distinct Solvency II environment in Europe required a separate European standard. Liaison between the IAA’s Actuarial Standards Committee and the SPT will ensure that overlap, duplication or conflict is avoided. It was observed that the ORSA is “freeform” – that is, specific to each undertaking. This means the standard should be particularly principles-based, as detailed prescription would not be appropriate. Gábor also pointed out that if the proposal to develop ESAP 3 is approved, the Risk Management Task Force will require additional volunteers with appropriate experience.

Members of the Committee were asked to discuss the proposal within their associations, and to submit any comments to the Secretariat as soon as possible. An electronic vote will be taken to be concluded by 7 November at the latest to decide whether or not to proceed with developing a model standard for actuarial practice in connection with preparing an ORSA.

3.5 Chris presented proposals for a revised due process for the development of standards: this contained only minor changes which reflected experience with ESAP 1 and ESAP 2, and a new section on EANs (based on the IAA’s process for IANs). He pointed out that it was expected that the content of EANs would be developed by the appropriate technical committee in consultation with SPT. The Committee endorsed the proposals, which will now

be submitted to the General Assembly for formal approval.

3.6 The Committee noted the current work programme for SPT which will be submitted to the General Assembly for formal approval. Chris pointed out that the revised programme takes into account the current timetable for ESAP 1 and ESAP 2 and includes a provisional timetable for the development of ESAP 3. The next ESAP due to be brought forward for consideration with a PDS will be ESAP 4 on the role of the actuarial function in contributing to the risk management function under Solvency II. The timetable envisaged, subject to approvals being obtained along the way as required under due process, that ESAP 1 would be adopted by the General Assembly on 3 October 2014, ESAP 2 and ESAP 3 in September 2015 in Bucharest and ESAP 4 in September 2016 in Barcelona. John Instance believed that the timetable for producing an exposure draft for ESAP 3 by March 2015 was very ambitious: he emphasised the need for proper consultation, including with other professions. The Chairman observed that ambitious timetables were sometimes necessary to ensure satisfactory progress.

3.7 Introducing his paper on the monitoring of the implementation of ESAPs and EANs by member associations, the Chairman pointed out that the IAA had already introduced a monitoring process. He believed that is important that AAE should have a similar process, and the Committee agreed to proceed on this basis. Malcolm Campbell suggested that it might be possible to obtain suitable information captured in the IAA's annual return. Birgit Kaiser carries out the IAA survey and agreed to consider capturing responses from the European associations relating to both ISAPs and ESAPs.

3.8 It was noted that draft proposals for a revised Code of Conduct will be submitted for consideration at the next meeting.

4. Professionalism issues

4.1 ***UK Actuarial Council***

The Chairman reported that he will be invited to attend meetings of the Actuarial Council when issues relevant to AAE are discussed. Recent issues on the agenda of the Actuarial Council have included:

- review of UK Technical Actuarial Standards and development of a Technical Code
- definition of 'actuarial work'
- Joint Forum on Actuarial Regulation (JFAR)
- reporting on supervision of actuaries
- coordination of work on risks

4.2 ***Mutual Recognition Agreement***

The Committee considered a paper by Gábor Hanák on CPD requirements for actuaries who are members of a host association under the Mutual Recognition Agreement. Gábor drew attention to the fact that the Hungarian association could not accredit CPD events which are not open to all its members (including events offered by another association). Malcolm

Campbell suggested that associations might open up events to non-members, including actuaries from other associations. The Chairman suggested that another possibility for an MRA actuary could be that compliance with the CPD requirements in the host association, provided they are broadly comparable to those of the home association, might be acceptable to the home association. In the first instance it was agreed that, since the majority of member associations have details of their CPD schemes on their web sites (albeit in their own language), the AAE should provide a list of these links on the AAE web site. Ad Kok agreed to organise this.

Alois Gisler raised the question of requiring member associations to make CPD compulsory. Malcolm Campbell pointed out that the Swedish association would oppose such a move, although it has its own CPD policy which strongly recommends CPD in order to fulfil the 'fit and proper' requirement of its Code of Conduct. He drew particular attention to the administrative burden of monitoring compliance and enforcing discipline. He also referred to the difficulties for smaller associations to provide a meaningful CPD programme. Tony Hewitt considered the UK scheme of checking a sample of CPD returns worked well. After further discussion it was agreed that the Officers should consider this issue further. The Chairman emphasised that any recommendation that CPD be made compulsory would require to be approved by the General Assembly.

The Chairman raised the question whether associations are recommending that members working in another country should join the local association, as required by the Mutual Recognition Agreement. Malcolm Campbell pointed out that associations often did not know when their members are working in another country. It was agreed to remind associations to bring this to the attention of their members.

4.3 ***Competition legislation issues***

It was noted that a European Commission consultation on the Insurance Block Exemption Regulation is being considered by the Insurance Committee.

5. Role of the Actuary / Actuarial Function

The Committee considered proposals to establish a new and more focused approach to develop and advance the AAE's position in relation to the role of the actuary. In presenting this paper, Karel Goossens pointed out that the proposals seek to fulfil the mission statement, which specifies that the AAE aims to promote a wide ranging role for actuaries as business advisers and influencers as well as technical experts and to promote the role of the actuarial profession in protecting the consumer. It was suggested the title should be changed to "Roles of Actuaries". The Committee supported the initiative to establish a task force including representatives from each of the committees and reporting to the Officers. Tony Hewitt volunteered to act as the Committee's representative on the task force.

6. Consumer Protection

The Committee noted a brief report on the work of the Consumer Protection task force

(CPTF), which focused on further development of its paper on consumer risk indicators for EIOPA. The Chairman indicated that the Officers will review further iterations of this paper. Malcolm Campbell pointed out that consumer protection has a high profile on EIOPA's agenda, and emphasised the importance of AAE having a coherent approach to CP integrated into the work of all the committees. Karel Goossens reminded the Committee that the CPTF had been set up for a fixed term of two years: the Officers will be reviewing future arrangements for addressing CP issues.

Thomas Béhar suggested that AAE should be more active in relation to Key Information Documents (KIDs). Tony Hewitt expressed the view that actuaries were not and should not be the only 'policemen' in the context of consumer protection for financial products.

7. Global ERM qualification

Malcolm Campbell reported that the Danish association is currently being reviewed for award signatory status. Several other European associations are also making preparations to apply, based on EAA material.

8. Accreditation of member associations

The Chairman referred to his short paper on arrangements for continuing accreditation of member associations. He pointed out that applications from associations to join AAE were scrutinised to verify that they met the necessary criteria in respect of education syllabus, code of conduct, discipline, due process for standards, etc, but no procedure exists to ensure that member associations continue to fulfil these criteria. This is in contrast to the IAA, which undertakes reviews of member associations when one or more of the relevant documents of the association change, as indicated in the annual return. The Chairman reported that this issue had been raised at the IAA Accreditation Committee, where it was agreed that there should be collaboration between IAA and AAE in order to avoid duplication: It had been suggested that the IAA should rely on AAE reviewing compliance with its education syllabus since it is at a higher level than IAA's, while AAE should rely on IAA scrutiny of professional criteria. Reasons for this view included the fact that AAE currently does not have a process corresponding to the IAA Accreditation Committee's, and has no annual reporting of documentation changes by associations. It was noted that the issue of a Mutual Recognition Agreement would not be tested by IAA, and difficulties could arise if the Codes of Conduct of IAA and AAE were to diverge. After further discussion it was agreed that AAE will focus for the time being on compliance with the education syllabus and ESAPs, and rely on information flow from IAA in other areas. Going forward, the Committee should revisit the question of whether/how it should review accreditation in other areas, perhaps requiring annual returns from member associations. Meanwhile the arrangements as described above should be confirmed with the IAA Accreditation Committee.

9. AAE and IAA – Issues of mutual interest

Ad Kok referred to the book donation initiative by the IAA's Actuaries without Borders (AWB) – Ad's presentation is attached as **Annex II**. The IAA will be sending a letter to all member

associations to follow up this initiative.

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

Michael Renz referred to the brief slide presentation (circulated with the agenda and papers for the meeting) which summarised the AAE Action Plan for 2014/15. He explained that the updated Action Plan reflected the feedback which he had received from committee chairmen and from the recent Presidents' meeting. The Action Plan now focuses on the top two priorities for each Committee, and Michael has asked the chairmen to confirm these with their committees: if any additional topics are to be included then it will be necessary to identify which existing priorities can be deleted. He emphasised the importance of developing and improving communication as widely as possible.

Thomas Béhar suggested that greater emphasis should be put on consumer protection and continuing professional development. John Instance referred to the conclusion from the Presidents' meeting that "it is important to get the message across to the management and Boards of undertakings of the need to meet the Directive's fit and proper criteria, and the fact that FQAs of AAE member associations fulfil these requirements" – he believed that this would present a considerable challenge.

The Chairman confirmed the Action Plan contains all the points discussed at the previous SFPC meeting in Vilnius, and the plan as it affects the committee would be considered again at the Paris meeting.

11. Activities in the Committees of the AAE

The Committee noted the reports to be presented to the General Assembly by the committees. (This reflects the Committee's remit to " … keep under review … the general operations … of the committees").

12. Meeting with Internal Market DG

It was noted that a meeting was held between Officers of AAE and staff of Internal Market DG in Brussels on 19 June 2014.

13. Meeting with EIOPA

It was noted that a meeting was held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 18 July 2014.

14. Future Annual Meetings and Spring Meetings

14.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

- 2015 – Bucharest, Romania – 25 September 2015
- 2016 – Barcelona, Spain – 23 September 2016

Offers to host future Annual Meetings from 2017 onwards were invited.

14.2 ***Spring Meetings***

Future Spring Meetings were confirmed as follows –

Pensions, IFR and Education Committees
2015 – Berlin, Germany – 20 March 2015

Standards, Freedoms & Professionalism / Insurance Committees
2015 – Paris, France – 26/27 March 2015

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

15. Information Exchange

The Chairman drew attention to information from Germany, Ireland and UK (attached to these minutes as **Annex III**).

16. Any other business

16.1 ***Single European actuarial qualification***

Ron Hersmis drew attention to the question of how long it would take to achieve a single European actuarial qualification..

16.2 ***List of all European actuaries***

Thomas Béhar asked whether it would be possible for AAE to publish a list of all European actuaries. Malcolm Campbell pointed out that AAE does not currently hold this information, and data protection legislation may limit the ability of member associations to provide national data and for AAE to publish it. It was agreed that the Officers will review Thomas's suggestion.

17. Date of next meeting

The next meeting of the Committee will be held in Paris on 26 March 2015 at the invitation of Institut des Actuaires.

Contd/ - Reserved annex

18. Reserved business

Ad Kok presented revised proposals by the Officers setting out Terms of Reference (ToR) for admitting observers to AAE General Assembly and committee meetings: these included all the comments and suggestions made during discussion at the last meeting. Subject to some minor editorial amendments, the proposed ToR were approved.