GROUPE CONSULTATIF ACTUARIEL EUROPEEN
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

SECRETARIAT, MAISON DES ACTUAIRES, 4 PLACE DU SAMEDI
B-1000 BRUSSELS, BELGIUM

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

E-MAIL: groupe@gcactuaries.org
WEB: www.gcactuaries.org

MINUTES

of a meeting of the

STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE

held in Edinburgh
on Thursday, 11 April 2013

PRESENT:

Committee:

David Martin	Institute and Faculty of Actuaries
Peter Prieler	Aktuarvereinigung Österreichs
Jiři Fialka	Ceská Spolecnost Aktuáru
Peter Melchior	Den Danske Aktuarforening
Esko Kivisaari	Suomen Aktuaariyhdistys
Gábor Hanák	Magyar Aktuárius Táraság
Yvonne Lynch	Society of Actuaries in Ireland
Luis Sáez de Jáuregui	Instituto de Actuarios Españoles
Félix Arias Bergadá	Col.legi d'Actuaris de Catalunya
Lutz Wilhelmy	Association Suisse des Actuaires
Michael Lucas	Secretary-General, Groupe Consultatif
Pia Skaerbak	Groupe Consultatif

Members of the Groupe Consultatif and other Committees:

Karel Goossens	Institut des Actuaires en Belgique / Instituut van Actuarissen en Belgie
Michael Renz	Deutsche Aktuarvereinigung
Régis De Laroullière	Institut des Actuaires
Evaldas Valeisa	Lietuvos Aktuarijų Draugija
José Manuel Mendinhos	Instituto dos Actuarios Portugueses
Florin Ginghina	Asocitatia Romana de Actuariat
Malcolm Campbell	Svenska Aktuarieföreningen
Chris Daykin	Institute and Faculty of Actuaries
Helena Dumycz	Institute and Faculty of Actuaries
Ben Kemp	Institute and Faculty of Actuaries

Apologies for absence:

Detelin Koitchev	Bulgarian Actuarial Society
Ian Morris	Channel Islands Actuarial Association
Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Dimitris Dimitriou	Cyprus Association of Actuaries
Kati Hoop	Eesti Aktuaaride Liit
Thomas Béhar	Institut des Actuaires
Yannis Chadjivassiloglou	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Nino Savelli	Istituto Italiano degli Attuari
Vicenzo Urciuoli	Consiglio Nazionale degli Attuari
Inga Helmane	Latvijas Aaktuāru Asociācija
Matthias Foehr	Association Luxembourgeoise des Actuaires
Ad Kok	Het Actuarieel Genootschap
Kari Mørk	Den Norske Aktuarforening
Piotr Szlenk	Polskie Stowarzyszenie Aktuariuszy
Maria Kamenarova	Slovenská spoločnost' aktuárov
Jernej Merhar	Slovensko Aktuarsko društvo
Kerem Özdağ	Actuarial Society of Turkey

1. Opening of the meeting and adoption of the agenda

1.1 The Chairman welcomed members to Edinburgh, particularly those for whom it was their first meeting. He thanked the Institute and Faculty of Actuaries for hosting the meeting, and Ernst and Young for providing the facilities.

1.2 The agenda, as circulated, was adopted, with the addition of two items under Any Other Business:

- competition issues, and implications for freedom to discuss certain topics
- suggestions for a new name for the Groupe

and a copy is attached to these minutes as **Annex I**.

2. Minutes of previous meeting

The Minutes of the meeting of 18 October 2012, held in Utrecht, were confirmed.

3. Actuarial Standards

3.1 Chris Daykin briefly summarised the position following the public consultation on the Exposure Draft (ED) for a model standard on Actuarial Reporting under Solvency II (GCASP2). He reported that 14 responses had been received with comments: 10 from member associations, and one each from IAA, Insurance Europe (IE), UK Financial Reporting Council (FRC) and the Solvency II Pillar I Non-Life working group. He was disappointed that there had been no response from EIOPA. With the exception of IE, the responses were largely supportive, in particular those from member associations: comments from IAA and FRC were more qualified. Key concerns which the Standards Project Team (SPT) will now address are:

- reference to relevant regulations: it was not sufficiently transparent what requirements come from the Directive or from Level 2 regulations or Level 3 guidance. Regulations should be quoted verbatim or by reference footnote, rather than being paraphrased in the text of the standard.
- appropriate reference to proportionality
- overlap and potential inconsistency with the IAA's ISAP1
- care should be taken not to add requirements to the regulations
- no general and transparent framework for Groupe standards
- redundancies within the standard.

The SPT and drafting group will prepare a (high level) feedback on the comments received, and a basis for conclusions, for publication on the Groupe's web site, with more detailed individual responses. There will be a full day meeting in May to revise the structure of GCASP2 taking account of ISAP1 and the comments noted above. A formal second ED cannot be completed until L2/L3 legislation is adopted, but a 'working draft' will be presented to the Committee in Dublin in September. Gábor Hanák expressed concern over this extra stage, but Chris believed that member associations need an indication of a model standard sooner rather than later, particularly with EIOPA's introduction of interim measures.

3.2 In relation to GCASP1 (Quality of actuarial work), Chris explained that the SPT has agreed that ISAP1 should be adopted as GCASP1, subject to due process: an Exposure Draft will be submitted to the Committee at the September meeting in Dublin. Chris emphasised that ISAP1/GCASP1 is a model standard, and that only associations can impose standards. Several members expressed concern that a separate GCASP1 was unnecessary, and introduced the potential for conflict if ISAP1 were to be amended. Chris pointed out that GCASP1 is necessary since GCASP2 builds on it: however GCASP1 could be tied exactly to ISAP1, with any additional aspects covered in a further GCASP. It was agreed that the SPT should continue to develop an ED for GCASP1, but also explore how to avoid two different standards if ISAP1 changes in the future.

3.3 Introducing the SPT's revised work-plan, Chris pointed out that it was for the General Assembly to approve this. He emphasised that, although several possible additional areas for standards had been identified, the SPT would not take any action on these (nor did it have the resources to do so) unless requested by the Committee, and until EIOPA's L2 measures and L3 guidelines are published. The Chairman noted that educational notes might be more effective than standards in some cases (e.g. ORSA, ERM): the IAA had decided against developing a standard on ERM, but the introduction of Solvency II in Europe may make the development of an educational note on ERM appropriate. Chris pointed out that responsibility for developing educational notes should rest in the first instance with the corresponding technical committee; he acknowledged that an educational note may in due course form the basis for a standard. The Standards Project Team are planning a face to face meeting with EIOPA.

3.4 It was noted that Yvonne Lynch has now taken over the leadership of the task force reviewing the Code of Conduct following Bruce Maxwell's withdrawal through illness. She noted that Alan Watson, who is leading the review of the Institue & Faculty's Code, has joined her group. Yvonne reported on progress to date and highlighted the following key aspects:

- comparison with codes of conduct of other actuarial bodies and other professions, including the UK Financial Reporting Council's Actuarial Quality Framework
- impartiality and conflict of interest (particularly internal) – other professions' codes of conduct are more extensive on this issue
- maintaining competence
- confidentiality and appropriate circumstances for disclosure
- whistle-blowing, and protection for whistle-blowers
- communication

Yvonne hoped to submit draft proposals from the task force to the Committee's next meeting in Dublin in September, with an Exposure Draft of a revised Code of Conduct published in late 2013/early 2014. After discussion at the Spring 2014 meeting this would be finalised for approval at the 2014 General Assembly and implementation in 2015.

Several points were identified during discussion, including:

- the need to focus on real ethical and professional issues
- the Code needs to strike a balance between being comprehensive (long), but read and remembered (short)
- the Groupe's Code of Conduct is a model: member associations must have their own codes which cover at least the requirements of the Groupe's Code
- the need to ensure that the Groupe has appropriate compliance procedures in place (this is addressed at agenda item 5 below)
- the last possibility of developing a supplementary educational note (an IAN) on how to deal with practical issues (Conflicts of Interest and Whistleblowing were both referred to in discussion)

Yvonne invited Committee members to send any further comments 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. The Chairman pointed out that the Actuarial Council is part of the UK's Financial Reporting Council, established by the Government, and advises on matters including standards and so, in part, replacing the former Board for Actuarial Standards.

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

It was noted that that a request from ASSA to establish a Mutual Recognition Agreement with the Groupe will be discussed further while representatives are attending the forthcoming IAA meetings in The Hague.

4.3 ***EU Court of Justice ruling on compulsory training***

The Chairman drew attention to a recent ruling by the Court of Justice of the EU (in relation to a professional association of Chartered Accountants in Portugal) which states that EU law precludes a professional association from imposing on its members a system of compulsory training which in part eliminates competition and lays down discriminatory conditions to the detriment of its competitors. He expressed concern over the possible implications for other professional bodies, including the Groupe and its member associations. Ben Kemp confirmed that EU competition law applies to professional training, and member associations were urged to review their own CPD arrangements to ensure that they do not contravene this legislation. It was noted that, by logical extension, this legislation could also apply to core professional examinations, although this is unlikely to be a problem where these can also be provided by the university sector.

5. Criteria for Groupe Membership

The Chairman referred to discussion at the recent Education Committee meeting on the issue of compulsory CPD as a requirement for membership of the Groupe. He acknowledged that there is no consensus or common practice amongst member associations over compulsory CPD, but the discussion had brought into focus the wider question of 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). It was noted that the IAA has such a review process, and it was suggested that the Groupe might 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 in the context of education syllabus.

There was brief discussion on compulsory CPD. Malcolm Campbell noted that the need to undertake CPD can be inferred from the principle of competence enshrined in the Code of Conduct, and that procedures to ensure compliance with a requirement for compulsory CPD create a significant burden particularly for smaller associations. Florin Ginghina pointed out that he had an expectation that any actuary admitted under the Mutual Recognition Agreement would be subject to compulsory CPD, and he believed that the Groupe's lack of compulsory CPD compared adversely with the practice in other professions which have compulsory CPD. It was noted that the Education Committee is undertaking a review of CPD practice in member associations.

On the wider question of ensuring continuing compliance with membership requirements, it was agreed that a regular full external assessment by the Groupe would have major resource implications: a more realistic alternative would be regular self-assessment with a follow-up

full assessment if necessary. The major burden relates to the education syllabus and, as noted above, the Education Committee is already developing a suitable review procedure (which will also be accepted by the IAA). Reviewing compliance with code of conduct, discipline procedures and standards is much less arduous. It was agreed that the Officers will devise a suitable process.

6. Role of the Actuary / Actuarial Function

Karel Goossens summarised the paper drafted by Ad Kok as a follow-up to the position paper "Raising the bar on insurance technical expertise", and which outlined further possible roles for the actuary – not only in reporting but also in sign-off and other roles undertaken by non-actuaries. He emphasised that it is essential to grasp the opportunity presented by the implementation of Solvency II to identify the wider range of actuaries' skills beyond the purely technical, and the benefits of using an actuary particularly in relation to the 'fit and proper' requirements. Otherwise he feared that the initiative would be lost to the auditors, whom EIOPA favour for sign-off responsibilities.

The Committee recognised the importance of promoting the potential for the actuary to take on a wider range of responsibilities, and agreed that Ad and Karel should continue to develop their paper. The recent EIOPA consultation papers on transitional measures, particularly on system of governance, offer an ideal opportunity to take this forward. However a number of points in the paper were identified which require further attention, including:

- clarification of the roles proposed, in particular their interaction with other (non-actuarial) functions
- use of "must"
- reference to proportionality
- fit and proper requirement
- professional judgement
- interaction with auditors

It was suggested that associations should strive to be present when the Internal Actuarial Function is being discussed with national supervisors.

7. Global ERM qualification

Malcolm Campbell reported that Japan and Sweden are now award signatories, and an application from Israel is under consideration. A number of other EU and non-EU countries are preparing applications, and the CERA Board is discussing how to market the CERA designation externally: this might include the role of CERA in relation to the risk management function. Karel Goossens pointed out that the Officers had suggested organising an event (perhaps during the Annual Meeting in Dublin) 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. He also noted that CRO Forum have requested further information on CERA – Malcolm will respond to this.

8. Groupe Consultatif and IAA – issues of mutual interest

The 60-day agenda for the forthcoming IAA meetings in May was noted. Issues of particular interest included:

- Actuaries Without Borders (AWB) – Florin Ginghina reported that Romania had benefitted from their programme
- strategic action plan for ISAPs
- proposed fee increase
- cancellation of the proposed joint Education Seminar due to lack of registrations

9. Market Consistency paper

The Committee noted the publication of an educational paper on Market Consistency, which has been circulated to all member associations and to the European Commission, EIOPA and other external stakeholders. The Chairman explained that further work is in progress by the Insurance and Pensions Committees to prepare follow-up papers which address the application and limitations of market consistency in specific situations

10. Meeting with Internal Market DG

The Committee noted the report of the meeting between the Officers of the Groupe and staff of Internal Market DG Insurance Unit, held on 23 November 2012. (Note arrangements for the next meeting have now been confirmed for 23 November). The Chairman drew attention to the appointment of Klaus Wiedner as Head of the Unit on the retirement of Karel Van Hulle.

11. 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 10 December 2012.

12. Future Annual Meetings and Spring Meetings

12.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

- 2013 – Dublin, Ireland – 27 September 2013

Offers to host future Annual Meetings in 2014 (Helsinki, Finland) and 2015 (Bucharest, Romania) were noted.

12.2 ***Spring Meetings***

Offers to host future Spring Meetings from 2014 onwards were invited.

13. Information Exchange

The Chairman referred to information from Catalunya (attached to these minutes as **Annex II**). In addition Félix Arias drew attention to the Iberian Congress of Actuaries, to be held in Barcelona from 19-21 June 2013.

14. Other business

Proposed change of name for the Groupe

Pia Skaerbak summarised the possibilities for an alternative name for the Groupe which have been shortlisted by the Officers–

- Actuarial Association of Europe
- Association of European Actuaries
- European Actuarial Association (but discounted because EAA is already trademarked by the European Actuarial Academy)
- European Actuaries/Actuaries Europe
- Actuarial Associations of Europe

Apart from excluding EAA, the Committee also shared the Officers' reservations over the second and fourth suggestions - the Groupe is not an association of actuaries but of associations; and we should not slavishly follow the example set by name changes by industry bodies. The Chairman indicated that "the Groupe" is a convenient short name which is widely used internally and which he would be sorry to see disappear; however he acknowledged that it is not helpful for external stakeholders. It was agreed that the Officers should consider any further suggestions which might be suggested and make a final recommendation to the General Assembly in Dublin in September.

Competition legislation issues

Esko Kivisaari reported that, in the course of surveying members of the Insurance Committee on the effect of implementing the ECJ ruling on gender (in particular in relation to pricing), attention had been drawn to constraints imposed by EU competition legislation deriving from one of the core principles of the Treaty of Rome. Esko expressed concern that this legislation, even allowing for the Insurance Block Exemption Regulation, means that it is not possible for individuals, companies or organisations (other than competent authorities) to discuss or compare commercially sensitive data, and may significantly limit the extent to which the Groupe can discuss issues which include market or price sensitive aspects. Ben Kemp confirmed Esko's understanding of the situation and suggested that member associations should be advised accordingly. Proper self-assessment of the nature of the Groupe's discussions and surveys should ensure compliance with the legislation, but legal advice may be required. The Chairman pointed out that the UK already has some experience and expertise here, and Esko referred to a paper by the Finnish industry federation which addresses this issue: he will arrange for this to be translated and circulated.

15. Date of next meeting

It was noted that the next meeting of the Committee will be held in Dublin on 26 September 2013 at the invitation of the Society of Actuaries in Ireland, in conjunction with the 36th Annual Meeting of the Groupe.