ACTUARIAL ASSOCIATION OF EUROPE
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MINUTES
of a meeting of the
STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE
held in Bucharest, Romania
on Thursday, 24 September 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
Peter Melchior	Den Danske Aktuarforening
Esko Kivisaari	Suomen Aktuaariyhdistys
Thomas Béhar	Institut des Actuaires
Dieter Köhnlein	Deutsche Aktuarvereinigung
Gábor Hanák	Magyar Aktuárius Társaság
Rokas Gylys	Lietuvos Aktuarijų Draugija
Ron Hersmis	Het Koninklijk Actuarieel Genootschap
Anne Sundby Magnussen	Den Norske Aktuarforening
Wojciech Mojzuk	Polskie Stowarzyszenie Aktuariuszy
Maria Kamenarova	Slovenská spoločnost' aktuárov
Ad Kok	Chief Executive
Michael Lucas	Secretary-General

Members of the General Assembly and other Committees:

Rossen Krachunov	Bulgarian Actuarial Society
Aneta Velikova	Bulgarian Actuarial Society
Jan Švab	Ceská Spolecnost Aktuáru
Michael Renz	Deutsche Aktuarvereinigung
Birgit Kaiser	Deutsche Aktuarvereinigung
Ana Maria Martins Pereira	Instituto dos Actuarios Portugueses
Marc Arias	Col.legi d'Actuaris de Catalunya
Sergi Arias	Col.legi d'Actuaris de Catalunya
Malcolm Campbell	Svenska Aktuarieföreningen

Olivier Steiger	Association Suisse des Actuaires
Chris Daykin	Institute and Faculty of Actuaries
Nick Dumbreck	Institute and Faculty of Actuaries
David Hare	Institute and Faculty of Actuaries

Observers:

William Hines	American Academy of Actuaries
Emma Gilpin	Institute and Faculty of Actuaries
Natasha Regan	UK Financial Reporting Council

Apologies for absence:

Ian Morris	Channel Islands Actuarial Society
Mirjana Cesarec	Hvratsko Aktuarsko Društvo
Nicos Koullapis	Cyprus Association of Actuaries
Kati Hoop	Eesti Aktuaaride Liit
Marianna Papamichail	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Yvonne Lynch	Society of Actuaries in Ireland
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
Razvan Carstoiu	Asocitatia Romana de Actuariat
Igor Zoric	Udruženje Aktuara Srbije
Jernej Merhar	Slovensko Aktuarsko druśtvo
Luis Sáez de Jáuregui	Instituto de Actuarios Españoles
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 Bucharest, particularly those for whom it was their first meeting, and thanked Asociatia Romana de Actuariat 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 reported that, in view of the delay in circulating the revised final draft of ESAP2, it would be inappropriate to ask members to vote on the proposal to recommend its adoption to the General Assembly. The Officers had agreed that there should be an electronic vote within two weeks after the meeting. If the outcome of this vote is to recommend adoption, then there will be an electronic vote amongst the General Assembly.

2. Minutes of previous meeting

2.1 The Minutes of the meeting of 26 March 2015, held in Paris, were confirmed.

2.2 It was noted that Dieter Köhnlein is now the German representative on the Committee.

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. Chris apologised for the late circulation of the final draft of ESAP 2, pointing out that this had arisen as a result of allow maximum time for member associations to comment.

3.2 Referring to the final draft of ESAP2, Chris explained that changes resulting from comments received on the version circulated in June were modest, and these had been summarised in the drafting team's Basis for Conclusions. Chris emphasised that it is desirable to have ESAP 2 in place in time for the introduction of Solvency II reporting in January 2016. He acknowledged the concern expressed by Nick Dumbreck on behalf of the Institute and Faculty of Actuaries that ESAP 2 is not a high-level principles-based standard. However Nick recognised that this arose as a result of the very prescriptive regulation-based environment and the wishes of other associations to have greater detail, and he welcomed the statement of the 4 core principles. Nick also believed that the Board of an undertaking would find it difficult to relate to such a long and detailed report, and he explained that IFoA does not set standards for its UK-based members.

In response to Nick's remarks, Chris emphasised that this is a model standard, and it is for member associations to decide how to deal with it. Gábor Hanák also pointed out that much of the detail of the ESAP 2 report could be presented as annexes and thus in a "user-friendly" format. Thomas Béhar noted that national regulators will require the full detail.

There was discussion of how member associations are prepared for the adoption of standards, including information on how some individual associations were making specific changes to do this. In different associations this may require the revision of statutes, translation into the national language, and consultation with their members and/or the national regulator. There was also some discussion over how compliance with standards would be undertaken, and whether associations which did not adopt or adapt ESAPs might be excluded from AAE. Gábor referred to the requirements of Article 5.3 of the AAE Statutes in relation to associations which recommend standards. Ron Hersmis believed that the adoption of standards will be important in relation to mutual recognition.

In conclusion, and as outlined in 1.2 above, it was confirmed that there will be an electronic vote of Committee members on whether to recommend the adoption of ESAP 2 to the General Assembly. The Chairman thanked the drafting team, led by Dieter Köhnlein, for their hard work.

3.3 Gábor summarised work undertaken on the Exposure Draft of ESAP 3 in the light of comments received at and since the Committee's last meeting. Particular attention had been given to the issues of team membership and documentation, and Gábor explained that these points, including the issue of "team leader treated as principal", will also be highlighted in the transmittal letter which will accompany the Exposure Draft when it is issued for consultation. Nick suggested that ESAP 3 should apply to all involved in preparing the ORSA, including non actuaries. The Chairman pointed out that associations adopting the standard could only apply it to their members; however it is hoped that by setting standards for our members we can encourage others in order to satisfy the 'fit and proper' requirements. In this respect, it was noted that there should be dialogue with the Risk Management profession.

Gábor stressed the importance of having the associated EAN ready at the same time as the final standard, and he was pleased to report that good progress is being made here.

The Committee approved the promulgation of the Exposure Draft of ESAP 3 for consultation, with a deadline for comments of 31 January 2016. This will allow time to review the ED in the light of comments received, and report to the Spring meeting.

In accordance with its existing terms of reference, the Risk Management Task Force will now turn its attention to whether or not the AAE should develop a model standard on the contribution of the actuarial function to the risk management function (ESAP 4). Some changes in the membership of the Task Force may be made. It is hoped to prepare a report for the Spring 2016 meeting of the Committee.

3.4 Draft Terms of Reference for a task force to consider whether a model standard on independent review by an actuary of another actuary's work would meet the criteria for the AAE to consider developing a standard (ESAP 5) were considered. A number of comments were made on these ToR:

- these should not be seen as exhaustive
- 'independent' should be clarified, and distinguished from 'free from influence'
- does independence require the review to be external, or can it be internal?
- relate to, and ensure consistency with, ESAP1 and peer review

It was agreed to establish a task force along the lines proposed, subject to the comments above, and volunteers should include representatives from a wide range of associations. Nick Dumbreck noted that there is likely to be opposition from UK to the development of such a standard.

3.5 The proposed revisions to the Terms of Reference for the Standards Project Team, which reflect the stage of development of model standards, were approved.

3.6 The Committee noted the revised work-plan for SPT which will be submitted to the General Assembly for formal approval. Chris pointed out that this reflects recent changes in the timetable, and progress in relation to ESAP 4 and ESAP 5. He noted that further modification is likely to be required to reflect the IAA's development of ISAP 1A, and the possible requirement for a standard for Actuarial Function reporting in IORPs once the IORP review has been completed.

It was noted that Chris now steps down as chairperson of the Standards Project Team. On behalf of the Committee, the Chairman thanked Chris for the enormous amount of time and enthusiasm which he had devoted to SPT, and welcomed Gábor as Chris's successor.

3.7 A summary of the IAA's work on standards was noted. The Chairman explained that IAA is considering the question of restricting the extent to which ISAPs appear in the public domain, in the light of possible legal liability issues. This was not considered to be so problematic for the AAE and ESAPs, but the IAA's current consideration of disclaimers regarding access to the materials might require further discussion in respect of ESAPs in due course..

3.8 The Committee considered proposals from Yvonne Lynch's working party for revisions to the Code of Conduct. In Yvonne's absence, Peter Melchior explained that these proposals reflected the comments made at the Committee's last meeting. Peter noted that the draft lacked a definition of 'work', which will be added before formal consultation with member associations.

During discussion a number of comments were made, in particular:

- section 3-C (Compliance) – deletion of 'relevant'
- section 4-A6 (Integrity) – change from 'actuarial' to 'professional' and addition of caveat on particular circumstances
- section 4-B2 (Competence and Care) requires clarification

Malcolm Campbell reminded the Committee that all member associations must have a Code of Conduct based on the AAE's Code. For this reason associations must be given a sufficient consultation period and, in due course when a revised Code is approved, an appropriate period for transition. The Chairman acknowledged this, and pointed out that a consultation period of 3-6 months and a transition period of 2-3 years had previously been proposed.

Subject to resolving the points identified above with Yvonne, it was agreed to circulate the present draft to member associations for formal consultation: the Chairman will discuss the length of the consultation period with Yvonne and the Officers. Chris Daykin asked whether it is necessary to consult or inform the IAA: the Chairman will raise the matter at the forthcoming IAA meetings in Vancouver. He will also inform the UK Financial Reporting Council (FRC).

4. Professionalism issues

4.1 ***UK FRC Actuarial Council***

Natasha Regan gave a brief report (attached to these Minutes as **Annex II**) on the work of the FRC Actuarial Council.

4.2 ***EU Directive on Mutual Recognition***

The Committee considered a paper by the Chairman which described from the UK perspective the implications of the actuarial profession being a "regulated profession" within the terms of the EU Regulations on the Recognition of Professional Qualifications, and the IFoA is the 'competent authority'. Other countries which have actuarial associations that have been recognised as competent authorities by the EU are: Italy, Denmark, Poland, Slovakia and Spain. Maria Kamenarova reported that, in practice, regulation of the profession in Slovakia is undertaken by the national regulator, and only in respect of certain reserved roles.

Esko Kivisaari drew attention to a leaked document from the European Commission (copy attached to these Minutes as **Annex III**), due to be published on 21 October, which describes proposals for reforming regulated professions and for the introduction of a services passport.

It was agreed to consider this issue again at the next meeting.

4.3 ***Continuing Professional Development***

It was noted that that the IAA will be considering a report on various options for CPD at its forthcoming Vancouver meetings. The Chairman pointed out that the key issue for associations is ensuring compliance with any CPD requirements. Malcolm Campbell observed that a Code of Conduct requires competence, which implies compliance with any CPD requirements, but he acknowledged that compliance with the Code of Conduct is just as difficult to police. This issue will be reconsidered once the outcome of the IAA discussions is known.

4.4 ***List of European actuaries***

It was noted that the Officers had decided not to proceed further with this proposal, and that the IAA would be stopping their list because of complexity and data protection constraints.

5. Role of the Actuary / Actuarial Function

Karel Goossens updated the report contained in the meeting agenda with a presentation (attached to these Minutes as **Annex IV**).which summarised responses received to date on a new survey on roles of actuaries under Solvency II. From these preliminary results Karel highlighted the potential for greater involvement of actuaries in the Risk Management function, and the Chairman noted that the report of the IFR Committee (agenda item 10 below) underlined this.

6. Global ERM qualification

Malcolm Campbell reported that the Austrian association had recently achieved award signatory status. Belgium and Italy are planning to apply.

7. Accreditation of member associations

The Chairman reported that discussions were in progress with the IAA to agree accreditation arrangements which would avoid duplication of effort. In principle the IAA will currently accept accreditation of European associations which comply with the AAE's education syllabus. This will be subject to review following eventual acceptance of the new IAA syllabus, due to be discussed further in Vancouver, and completion of the review of the AAE syllabus. Other aspects of accreditation (code of conduct, discipline, due process for standards, etc) will be undertaken by the IAA, and AAE will accept IAA accreditation of European associations.

8. AAE and IAA – Issues of mutual interest

The Chairman drew attention to the main items of mutual interest on the agenda for the forthcoming IAA meetings in Vancouver:-

- Actuarial standards
- CPD
- Education syllabus.

9. Review of Committee Priorities

The Committee endorsed the Chairman's review of its priorities for the year ahead, which reflected progress and developments over the past twelve months. The Chairman expressed his thanks to Ad Kok for his assistance in updating the priorities.

10. 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"). The Chairman expressed his thanks to Michael Lucas for his work in their preparation.

11. Meeting with DG FISMA (Insurance & Pensions Unit)

It was noted that a meeting was held between Officers of AAE and staff of DG FISMA Insurance and Pensions Unit in Brussels on 16 January 2015.

12. 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 1 July 2015.

13. Future Annual Meetings and Spring Meetings

13.1 ***Annual Meetings***

Future Annual Meetings were confirmed as follows –

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

Offers to host future Annual Meetings from 2017 and 2018 were invited.

13.2 ***Spring Meetings***

Future Spring Meetings were confirmed as follows –

Standards, Freedoms & Professionalism / Insurance Committees
2016 – Nicosia, Cyprus – 10/11 March 2016

Pensions, IFR and Education Committees
2016 – London, UK – 8 April 2016

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

14. Information Exchange

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

15. Any other business

Consumer protection

Michael Renz drew attention to the high priority attached to consumer protection issues in financial products and services by the European Commission and EIOPA. Although consumer protection is not the core business of actuaries, AAE is under pressure from the Commission and EIOPA to contribute on insurance and pensions matters, in particular to finalise and extend our earlier draft report on conduct risk indicators. Michael regretted that AAE was unable to offer any comments in response to the Commission's recent consultation on Key Information Documents for PRIIPs.

Chris Daykin drew attention to publications by the Social Security Sub-Committee which could be considered relevant to consumer protection.

Michael reported that the Officers have decided that the existing Consumer Protection Task Force should be replaced by a permanent working group of SFPC. The Officers are preparing Terms of Reference, based on ToR used by the DAV for its consumer protection group (copy attached to these Minutes as **Annex VI**). Some of the existing Task Force are willing to continue as members of the new working group, but additional volunteers are required, who will reflect the geographical spread and subject expertise of AAE. The working group will report to SFPC.

This issue will be discussed in greater detail at the next meeting.

16. Date of next meeting

The next meeting of the Committee will be held in Cyprus on 8 March 2016 at the invitation of the Cyprus Association of Actuaries.