

“Fit & Proper”

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What is “Fit and Proper” for the AAE

AAE

37 member associations in 36 European countries

Local regulations for services regulated by law

- The appointment of a body controlling the provider of the actuarial services can either be delegated to:
 - A professional body (i.e., local actuarial association);
 - or it can be kept within the realm of the supervisor or regulator.

Local regulations for services regulated by law

- EU regulation requires that Member States shall require insurance or reinsurance undertakings (Solvency II, Art. 42 et seqq.) or institutions for occupational retirement provision (IORP II, Art. 22 et seqq.) to ensure that persons who carry out key functions for the undertaking or institution are **"Fit and Proper"**.

Ensuring the standing of the Actuarial Profession

“Fit and Proper” status recognition of actuaries is the common denominator to ensure the standing of the actuarial profession on a country specific and European level

	Actuarial activity unregulated by law	Actuarial activity regulated by law		AAE possible action points to support its FMAs?
Country level	Actuarial Association of country X sets requirements (Education Syllabus, CoC, Disciplinary Process, CPD and Actuarial Standards). A non-actuary can do the actuarial activity without Actuarial Association’s supervision.	Appointment and control delegated to a professional body of the country (e.g. actuaries of association X (actuarial or not actuarial association)) or to the employer.	Appointment and control not delegated to a professional body or to the employer (e.g. regulator defines criteria and validates the Professional). A non-actuary can be appointed and controlled by local regulator.	<ul style="list-style-type: none"> AAE to support local FMAs to promote automatic “Fit and Proper” recognition of FQA with their regulator. AAE to develop and define minimum “Fit and proper” requirements for actuarial activity.
<div> <div></div> <div>All activities appointment and control are supervised by the countries.</div> <div></div> </div>				
European level	AAE defines membership requirements of AAE Full Member Associations (i.e. Education Syllabus, CoC, Disciplinary process, CPD guidelines and European Standards of Actuarial Practice (model standards)).	Appointment and control delegated to a professional body of the country (e.g. actuaries of association X (actuarial or not actuarial association)) or to the employer.	Appointment and control not delegated to a professional body or the employer (e.g. regulator defines criteria and validates the Professional). A non-actuary can be appointed and controlled by local regulator.	<ul style="list-style-type: none"> AAE to propose minimum “Fit and Proper” requirements to pursue Actuarial Public Interest Roles. AAE to promote these requirement with undertakings, institutions, EIOPA and competent authorities in their “Fit and Proper” assessments. AAE to pursue the aim that all Fully Qualified Actuaries are “Fit and Proper”.

Principles

1. **No perception of self-serving profession:** the actuarial profession must not be perceived trying to create a monopoly for the profession. The actuarial profession should rather aim to make its members achieve the highest standards and support stakeholders to identify and implement the relevant standards with regards to “Fit and Proper”.
2. **Any particular actuarial service of persons in Actuarial Public Interest Roles for similar undertaking/institutions and underlying business should be subject to the same, appropriate “Fit and Proper” requirements, regardless of the person performing it.** Depending on the actuarial service, the requirements might be different.
3. **These requirements would not include requiring belonging to an actuarial organization.** I.e., the service of the person would trigger the need for compliance with the “Fit and Proper” requirements and not whether the person has a specific membership, unless in some Member States of the EU the local Regulator arranges differently.
4. **Subsidiarity:**
 - a. Local promotion of “Fit and Proper” to be done by Full Member Associations (with, if requested, AAE’s support);
 - b. European promotion of “Fit and Proper” to be done by the AAE as representative of Full Member Associations.

Premise

1. In a number of Member States of the EU, the regulator, for various reasons, has not chosen to recognize a local professional organization (such as a Full Member Association of the AAE) as the sole source of persons who are eligible to be holder of key functions, such as the Actuarial Function. Instead, the European regulators state that persons who are eligible to be a holder of key functions should be “Fit and Proper” as the directives describe them and as these requirements are transposed into national legislation/regulation. This is also the approach of other European institutions, e.g., EIOPA, that are stakeholders of the AAE. In some Member States, e.g., Spain and Italy, however, the regulator has legally recognized a local professional actuarial institution (and they are Full Member Associations of the AAE) as the sole source of persons who are automatically considered as Fit and Proper to be holder of key actuarial functions under various regulations (e.g. SII and IORP II). This is also coherent with the fact that the European Directives explicitly mention “actuaries” and “independent actuaries” for certain roles.
2. Serving in a Public Interest Role implies that the interpretation of the “Fit and Proper” requirements should be strong and those persons who do not meet the high-quality standards should not be eligible to provide professional services in Actuarial Public Interest Roles.

Challenges

- AAE FQA are not fully checked for the “Proper” part on a continuous basis. While it may be assumed that they are by the virtue of the AAE’s Code of Professional Conduct, this would not be sufficient to confirm the proper quality. In case the AAE would aim to provide a service confirming the “Fit and Proper” status, the corresponding information would need to be made available.
- There is a difference in education level requirements across Europe as the AAE education requirements are minimum ones, that are exceeded by some Full Member Associations.
- FQA don’t have the same background due to their selected advanced skills. Consequently, it is important that the actuarial services which are provided by an FQA are in line with her selected advanced skills.
- Even if an FQA meets all “Fit and Proper” requirements as set by the AAE or an AAE FMA, she might still not be a suitable person for a specific APIR role due to personal conflicts of interests or due to not being aligned with the undertaking’s goals and values. Consequently, a self-assessment is always required.

Consequences

- If the AAE wants to promote the “Fit and Proper” status of AAE Fully Qualified Actuaries, then it should enable the tracking of whether Fully Qualified Actuaries are “Proper” or not. This can also be offered as a service to the Full Member Associations (see before).
- Various levels of entry education and continuous professional development may create a challenge to the AAE in promoting the “Fit” element across Europe as some regulators and countries will challenge that some AAE Fully Qualified Actuaries with different education levels could access position and be recognized as “Fit and Proper” at a different qualification level. This can be problematic and create legal challenges in the long term.

Recommendations [Yes/No]

1. Facilitate that Premiss 1 is recognised and accepted in the AAE. → No action needed.
2. The AAE should ensure that Fully Qualified Actuaries that are members of Full Member Associations of the AAE would meet the “Fit” requirements for some or all Actuarial Public Interest Roles to the maximal extent possible, or that they can easily meet them (see before). → EduC to make a benchmark of education syllabus and overview to understand the differences and whether they fulfill requirements of APIR roles. With regards to “Proper”, the AAE should check with the FMAs whether local processes are already in place or whether there is a need to develop local or a European solutions to support Fully Qualified Actuaries. → ProfC to develop a survey to understand current practices and define whether FMA have a need and a need that can be supported by the AAE.
3. Based on point 2., the AAE Board should decide on how to harmonize the various dimensions across Europe to ensure an near automatic “Fit and Proper” recognition. The first step would be to make a carefully mapping and the second step would be to ensure consistency of “Fit and Proper” requirements with standards in the following five areas:
 - a. Entry education standards;
 - b. Continuous education standards;
 - c. Code of Professional Conduct standards;
 - d. Discipline standards;
 - e. Practice standards.→ EduC should work on the mapping.
→ Task Force should work on harmonisation options. It could be the same Task Force as the one on re-onboarding the IFoA-
4. The AAE should advise institutions for occupational retirement provision, insurance and reinsurance undertakings, and European institutions about the minimum level of the “Fit and Proper” requirements, as deemed sensible by the AAE – at least for Persons in Actuarial Public Interest Roles. → AAE Senior Officers.
5. The AAE should convince associations of institutions for occupational retirement provision, associations of insurance and reinsurance undertakings, and European institutions to recognise and apply AAE's “Fit and Proper” requirements for Actuarial Public Interest Roles *mutatis mutandis*. → AAE Senior Officers.
6. The AAE and its FMAs should promote that the term “Actuary” remains reserved for FQA of Full Member Associations of the AAE. However, the “Fit and Proper” requirements should apply to both “actuaries” and “non-actuaries” who provide similar services as actuaries do. → AAE Senior Officers.

Decision to take from latest discussion

- A non TF Member asked whether the scope should be extended to (all) other positions for which fit & proper requirements apply. The TF is of the view that this is beyond the scope of the Fit and Proper Task Force as set out in the Terms of Reference in which the AAE has restricted the scope to actuarial tasks ["1a. to analyse the “Fit and Proper” requirements for actuarial tasks based on various EU regulations (e.g. SII, IORP II, etc.)].
- **Decision: extend or not the scope of the report [Yes/No].**