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EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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## **Chairman's Report to Member Associations – June 2013**

This report highlights Groupe activities and actions that have taken place in recent months.

- **Committee activities;**
- **Task Force on Consumer Protection;**
- **Public Affairs & Communications**

### **Committee Activities:**

#### **Pensions Committee:**

##### **Review of IORP Directive**

The Pensions Committee submitted a response to EIOPA's consultation on "Draft Implementing Technical Standards on reporting of national provisions of prudential nature relevant to occupational pension schemes".

##### **Market Consistency**

Following the educational Market Consistency paper (published in December 2012) there will be a follow-up paper that will examine practical applications and limitation to market consistency in specific circumstances from a pensions point of view. Three Committee members – Niels Kortleve, Bjorn Nillson and Chinu Patel – have volunteered to produce a first draft.

##### **Portability**

The draft directive on portability, on which the Pensions Committee has produced a position paper, was discussed by the EU presidency in March, as well as the legislative process.

##### **Sponsor Support**

Craig Turnbull (UK) and Eugen Scheinker (Germany) are participating on behalf of the Pensions Committee in EIOPA's working group on Sponsor Support. The group is expected to produce a draft report by the end of June.

#### **Sub-Committee on Social Security (SSSC)**

The SSSC's original paper on sustainability has attracted considerable interest in the EU, and particularly within DG Employment with whom the Chairman of the SSSC and the Chairman of the Pensions Committee have had several meetings. Also external stakeholders have shown great interest and numerous meetings have also been held with them in the past three months. Strong interest from members of the SSSC has in turn led to the creation of two working groups focussing on particular subjects, and more working groups are to be created.

The two working groups created so far are: a) methodology and b) tracking services

### **Methodology for projections for the 2015 Ageing Report**

The working group presented its conclusions to DG Ecfm in April and may have further discussions after the summer. The conclusions provided actuarial advice on how to strengthen 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 in July. 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.

### **Annuities and decumulation**

In discussions with DG Employment, the subject of annuities and decumulation has come up. This is an area where DG Employment is very keen on receiving the Groupe's input. Consideration within the SSSC has then been made of where and how the Groupe could contribute. In order to take this forward, it was recognised that some research is needed into what is being done in different countries, where the Groupe could develop a questionnaire to collect information. DG Employment has entered into talks with the OECD on this as well.

Further development of this project will be undertaken by the Pensions Committee.

### **Sustainability and Adequacy**

This is an area which can be seen as a follow-up to the Groupe's 2012 paper on Sustainability of Pension Systems in the EU.

DG Employment has produced a paper on fiscal sustainability and poverty. Likewise consideration among members of the Sub-Committee has been given to producing a position paper on Adequacy of Pensions, including a synopsis of what others have done before. It is understood that the Groupe would have the support of both DG Employment and MEPs who have shown a lot of interest in this area. It is likely that a working group will be established later in 2013.

Additionally, EIOPA published a discussion paper on a possible EU Single Market for personal pension products in May, to which the Groupe will respond.

## **Insurance Committee**

### **Market consistency**

The Insurance Committee intends to produce follow-up papers which examine practical applications and limitations of market consistency in specific circumstances. The Solvency II project team is to reconcile the framework proposed by UK and DAV papers, in order to create a paper which identifies limitations of applying market consistency under Solvency II.

### **Solvency II project**

The joint project managers, David Paul and Siegbert Baldauf, have been reviewing the membership of the working groups to ensure active participants with appropriate experience. Current work on Solvency II includes:

- EIOPA consultation papers on interim measures;
- Green Paper on long-term financing –preparations on submitting a consolidated response from the Insurance, Pensions and IFR Committees are taking place;

- EIOPA discussion paper on standard formula design and calibration for certain long-term investments. A Groupe response has been submitted.

### **Fit & Proper**

Régis De Laroullière and Jim Murphy are drafting a short paper which identifies the benefits of using a qualified actuary of a Member Association of the Groupe ,particularly in relation to the ‘fit and proper’ requirements. The intention is that Member Associations should discuss this with national supervisors.

### **CRO meeting**

A meeting took place with the CRO Forum in March where the IC Chairman gave a presentation on the Groupe. In addition, there was an exchange of information on discrimination issues, and CRO Forum have requested further information on CERA.

### **Meeting with EIOPA**

In April, members of the Solvency II project team visited EIOPA and provided an overview of the Groupe's Solvency II Project structure and the Groupe's roles in the recent pre-consultation process on Interim Measures. The EIOPA officials appreciated the Groupe's role as technical experts, and reaffirmed their desire to have the Groupe's continued involvement in the consultation process.

### **Meeting with the European Central Bank's Monetary & Financial Statistics unit**

In April members of the Solvency II project team met representatives of the ECB. 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.

### **Relationship with European Commission**

The Groupe has enjoyed a strong relationship with the Insurance and Pensions Unit of the Commission's DG Market for quite 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 to establish and develop a new relationship. The first meeting with the new staff takes place on 5 June.

## **Investment and Financial Risk Committee (IFR)**

### **Basel III and Solvency II**

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

### **Market consistency web portal**

Based on 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 the IFR Chairman has concluded that Member Associations are generally supportive, although they revealed a lack of awareness of the web portal. The Chairman and the Officers will consider whether resources are available to maintain and develop the portal.

### **Shadow Banking**

The IFR Chairman has had meetings with the European Parliament and the Commission unit in DG

MARKT responsible for this dossier. During discussions with the Commission it was revealed that the Commission is 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, what the possible next steps are, and possibly organise another round of consultation.

The Commission will welcome the Groupe's comments on the Communication.

### **European Banking Authority**

The Chairman of the IFR Committee has 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". At the meeting he was accompanied by the Chairman of the Groupe's Standards, Freedoms and Professionalism Committee as well as the Chairman of the Groupe's Education Committee.

During the discussions it became clear that both the IFR Committee and the Regulation 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.

### **Standards, Freedoms and Professionalism Committee (SFPC)**

#### **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. On 31 May, the Groupe published the conclusions the Standard 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 are to be taken into account in preparing the revised working draft of the Standard for the Standards, Freedoms and Professionalism Committee meeting in September.

#### **Quality of Actuarial Work**

In relation to GCASP1 (Quality of actuarial work), the SPT has agreed that ISAP1 should be adopted as GCASP1, subject to the necessary due process. An Exposure Draft will be submitted to the Committee at the September meeting in Dublin.

#### **Code of Conduct**

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.

The Task Force is hoping to submit draft proposals to the Committee's next meeting in Dublin in September, with an Exposure Draft of a revised Code of Conduct. Subject to further discussion at the Spring 2014 meeting this would be finalised for approval at the 2014 General Assembly and implementation in 2015.

#### **Role of the Actuary / Actuarial Function**

In discussions on how to follow up the Groupe position paper/brochure "Raising the bar on insurance technical expertise", it was agreed that other possible roles for the actuary should be highlighted, not only reporting, but also in sign-off, and 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. As it is recognised that EIOPA favour auditors for sign-off responsibilities, it is important to point out the right arguments.

Members of the Freedoms Committee agreed that Ad Kok and Karel Goossens 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.

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

### **Criteria for Groupe Membership**

Discussions have taken place on the issue of compulsory CPD as a requirement for membership of the Groupe. These discussions have expanded to focus on 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 has been 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.

On the wider question of ensuring continuing compliance with membership requirements, it has been agreed that Officers will devise a suitable process for regular self-assessment with a follow-up full assessment if necessary.

## **Education Committee**

### **Membership and Syllabus Requirements**

Within the Education Committee it has been discussed how associations apply their requirements to become a full qualified actuary, and how a member of the association qualifies for mutual recognition within the Groupe Consultatif agreement.

Members of the Education Committee have approved the proposal that all Members Associations should be required to complete assessments on how they meet the core syllabus requirements whatever process is used. Responses will be analysed and compared between associations. The Committee agreed that assessment template forms should be sent to all associations with returns required by 30 June 2013, so as to ensure that the results can be analysed before the Dublin meeting in late September.

The revised Core Syllabus is due to be in place fully by January 2014 with an update due every 5 years. The next review will begin in 2014, after the current syllabus has been fully implemented.

### **CPD**

It has been agreed within the Education Committee that the Groupe Consultatif website should keep listing CPD events for actuaries from associations or other not for profit associations such as the EAA and universities.

## **Consumer Protection Task Force (CP TF):**

The CP TF would like that each technical committee of Groupe Consultatif should, as a rule, include consumer protection on their agendas, with appropriate liaison between the CP TF and the technical committees. This liaison should ensure a) informing the technical committee of activities in the CP TF and b) see what the technical committee would like the CP TF to address.

In terms of the activities in the CP TF, it has been acknowledged that EU Key Information Documents (KIDs) exist for various financial products, and by now all life insurance products will have to attach a KID. Potentially actuaries could address the level of risk of these products and how to deal with the risk ratios, which is something that could also be discussed with EIOPA. In addition, discussions have focused on how to produce principles and definitions of toxicity of financial products and suitability for consumers. Priorities will include work on PRIPS regulation and on the definition of toxicity and suitability.

## Public Affairs and Communications

In the area of Public Affairs, new contacts have been established with DG Ecfm, DG Employment, DG Sanco (Health and Consumers), and additional units in DG MARKT. Contacts with several additional MEPs have also been formed. Other contacts with stakeholders, such as Insurance Europe, AMICE, CRO Forum, AEIP, EFRAG, IMF, ECB, EBA (European Banking Authority), EuroCommerce, BusinessEurope have either been strengthened or established.

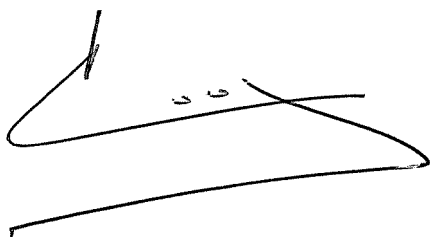
Extensive support has been provided to the EU public information campaign in relation to sustainable pensions as described above in relation to the Social Security Sub-Committee.

Public Affairs is also helping raising Groupe profile in EU conferences, seminars and public hearings in order to help build more contacts. This runs in parallel with general tracking and monitoring of legislative and non-legislative news. News on a daily basis (on Groupe website), as well as weekly round-ups of news and Groupe activities also take place.

Likewise, facilitation and support in organising the various current EU consultations is also provided by Public Affairs, which include:

- DG Sanco's consultation on 3<sup>rd</sup> pillar pensions;
- EIOPA's consultation on personal pension products;
- DG Market's GP on insurance in natural and man-made disasters;
- European Parliament questionnaire on coherence of financial products;
- DG Market's Green Paper on long-term financing of the European economy;
- Consultation by DG Market and DG Ecfm on strengthening the European supervisory authorities (such as EIOPA).

Additionally, Public Affairs has been organising the efforts to identify a name change for Groupe Consultatif, where it is intended that a name will be proposed for adoption at the General Assembly on 27 September in Dublin.



Karel Goossens  
Chairman

June 2013