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Chairman's Report to Member Associations – November 2012

This report highlights Groupe activities and actions that have taken place in recent months. For more detailed information, please refer also to Committee minutes of the meetings in Rome on the Groupe's web site. We will consider below the follow up of the main aspects of the Annual General Assembly including:

- **Strategy Plan and Business Plan;**
- **Actuarial Standards;**
- **Membership of Groupe Consultatif;**
- **Election of Officers;**
- **Task Force on Consumer Protection;**
- **Committee activities;**
- **Public Affairs & Communications**

Strategy Plan and Business Plan

The (outgoing) Chairman of the Groupe, Gábor Hanák, presented the consultation paper on strategy which had been circulated to Member Associations and included comments from several member associations. The strategy proposals represent a vision for the actuarial profession in Europe, relevant values, the mission of the Groupe, and strategic objectives.

Each Committee in Rome was asked to review the objectives and action points to prioritise what they want to achieve, and to assess what resources would be required to do so. All committees agreed in general with the proposed objectives and actions. Also the General Assembly has endorsed the strategy plan and has formulated valuable recommendations for further developments.

Next Steps: Consequently the Officers will now develop a business plan, based on the strategy plan that will take into account existing and future resources, and bring this back to the Member Associations.

Actuarial Standards

The Exposure Draft of GCASP2 "Actuarial Function Report under Directive 2009/138/EC" was addressed. The Draft has been sent to MAs and external stakeholders for consultation (deadline 1 March).

Next steps: A revised version (or a second Exposure Draft) will be considered in the spring 2013 meetings.

Membership of Groupe Consultatif

The Romanian Actuarial Association was admitted as a Full Member of the Groupe under condition of amendments of the code of conduct and the statutes.

The Malta Actuarial Society and the Serbian Actuarial Association were admitted as Observer Members of the Groupe.

Election of Officers:

As of October 2012 the following Officers were elected:

Vice-Chairman of the Groupe: Malcolm Campbell (one year)

Chairman for the Education Committee: Mark Stocker (three years)

Chairman of SFP Committee: David Martin (three years)

Chairman of Insurance Committee: Esko Kivisaari (three years)

Consumer Protection Task Force (CP TF):

The initial report by the CP TF was addressed by all committees in Rome. It has become apparent that the majority of member associations, who responded to a questionnaire, consider that actuaries have a role to play in consumer protection or fair treatment, although it would appear that few Member Associations actually are involved in this issue.

One of first the areas that the Task Force considers to become involved in, on an EU level, is the Commission's Consultation Paper on the Regulation of key Information Documents.

Next Steps: The Task Force will now revise its initial report following the various comments it received in Rome and the way forward will be considered.

Committee Activities:

Pensions Committee:

Review of IORP Directive

Members from the Pensions Committee have been playing an active part in all of EIOPA's QIS working groups, where there have been many meetings and many more are expected. In July 2012 the QIS working group submitted the Groupe's position to EIOPA. Additionally, the committee has responded with a second opinion on sponsor support at the request of EIOPA.

Next Steps: EIOPA will submit a public report to the Commission in June 2013.

Survey on available number of actuaries in Europe

On a question by the Commission if there are enough actuaries in Europe (on the premise that an actuarial function could be introduced for all IORPs), Philip Shier is to co-ordinate a survey based on that used by the Insurance committee in respect of Solvency II.

Next Steps: An outline of a survey should be ready by late 2012; and a final draft report examining answers should be ready for the spring meeting in 2013

Member Association presentations

Spanish and Norwegian representatives gave presentations on the pensions systems in their countries. The focus in the Spanish presentation was on the role of the actuary in non-insured DC schemes, whereas the Norwegian focus was on the fact that those Norwegian pensions funds which had participated in Solvency II QIS5, were also expected to participate in the IORP QIS.

Portability

On Portability it was agreed that a note should be produced by the Committee as this dossier is now back on the EU agenda.

Sub-Committee on Social Security (SSSC)

The Pensions committee noted that during the summer the SSSC had been established (headed by Chris Daykin) and is to report to the Pensions committee. One of the key aims is to raise the profile of the actuaries and contribute with actuaries' expertise on demography and long-term projections, and in particular on sustainable pensions. The Groupe's position Paper, *Sustainability of Pension System in Europe – the demographic challenge*, focusses on Pillar I pensions, breaking away from only concentrating on Pillar II and III pensions which traditionally have been the main focus of the Groupe.

Two Task Forces within the SSSC have been established, a) Methodology and Projections (particularly working with the Commission's DG Ecfm on the 2015 Ageing Report), and b) Disclosure of Information (tracking and portability). The outcome of both Task Forces will be submitted as the useful contribution of the Groupe to EU institutions.

Several meetings have taken place with MEPs (notably the Groupe has had the opportunity to review and comment on the draft Report by the European Parliament's rapporteur to the Commission's White Paper on adequate and sustainable pensions before publication); Commission DGs (Employment & Social Affairs; Ecfm, Internal Market) EU Employment Commissioner cabinet; Eurostat; Member States' Permanent Representations; Brussels stakeholders etc.

Insurance Committee

Market consistency

Members of the Insurance committee have addressed a first-stage (definition of general framework) draft position paper on a theoretical actuarial framework for the concept of market consistency. Following discussion, it was agreed that a preamble should be added to identify the limitations of the paper, and the conclusions edited accordingly.

The paper has received the approval of all Member Associations.

(A second-stage paper on market consistency examining the application of market consistency in specific circumstance will follow, once the first-stage paper has been approved).

Next Steps: The paper will be presented to the Commission and EIOPA at forthcoming meetings with the Groupe's Officers.

Role of the Actuary

Following a number of suggested amendments to a position paper on the Role of the Actuary, such as adapting to the intended audience and inclusion of an executive summary and illustrations, members of the Insurance committee approved the text which will be published as a brochure in early December.

The task force prepared to further develop the theme of the Role of the Actuary in specific areas (e.g. models, reporting) to illustrate the added value of the expertise of the actuary of and to establish a

framework for giving assurances on the actuary's role in sign-off on the SFCR and other external reports. Likewise it includes the role of the actuary in relation to the risk management function.

Next Steps: Work will continue on this draft paper and will be circulated to the Insurance committee for discussion. Additional volunteers are invited to assist with this work.

Solvency II Project – Project Manager, Project Sponsor

With the departure of Seamus Creedon as Project Manager (and Said Younsi) as well as the delay in an agreement between the EU institutions on Solvency II, the Insurance Committee is to review the structure and management of the Groupe's Solvency II project. (The project was established to continue until the Solvency II Directive has been implemented). Nominations for a Project Manager and Project Sponsor have been invited from members by 21 November. The appointments will be made by electronic vote. In the meantime the Committee chairman, Esko Kivisaari, is acting as project manager.

Jim Murphy has been confirmed by Officers as Vice-Chairman of the Insurance Committee.

Reports from member associations on developments in Solvency II

Those MAs that have not yet submitted written summaries are urged to do so as soon as possible, as it is of strong importance to other associations to be updated on relevant developments elsewhere.

Sovereign Debt Risk

Since the Commission and the European Parliament are still interested in receiving the position by the Groupe on sovereign debt the Insurance committee is to keep this issue on the agenda despite the unwillingness of industry and EIOPA to share data.

EIOPA Insurance & Reinsurance Stakeholder Group (IRSG)

Members of the Insurance committee have been invited to submit their comments via Thomas Béhar and Seamus Creedon on how proportionality might be implemented (please also see EIOPA website <https://eiopa.europa.eu>).

European Financial Reporting Advisory Group (EFRAG)

The Groupe has been invited to become an observer to EFRAG's Insurance Accounting Working Group (IAWG) meetings that examine how insurance accounting impacts insurance companies. EFRAG was set up in 2001 to assist the Commission in the endorsement of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) by providing advice on the technical quality of IFRS. The Chairman will nominate a suitable representative from the Insurance Committee to become the Groupe's Observer.

Consumer Protection and discrimination issues:

On 21 December, 2012 the EU's Gender directive will enter into force. On that basis the Insurance committee will consider at its next meeting in the spring whether a further study should be conducted to assess and compare the response to implementation in different countries. Members are invited to send comments to Jim Murphy.

On the EU's draft Directive on age and disability, the Insurance committee will keep monitoring legislative developments and will possibly be invited by the Commission to advise on the re-wording.

Relationship with European Commission

The Groupe has enjoyed a strong relationship with the Insurance and Pensions Unit of the Commission's DG Internal Market for quite some time. However, Karel van Hulle, the head of Unit is to retire at the end of 2012, and as a consequence the Groupe will at its next meeting with the Commission (23 Nov) see how it can further strengthen its relationship with this unit.

Investment and Financial Risk Committee (IFR)

Basel II and Solvency II

Members of the IFR Committee considered a draft paper comparing Basel II and Solvency II. This requires a final revision to include a preamble that will focus on Basel II, explain that the paper is written from the experience of a banking actuary, and highlight that there are no clear boundaries between the insurance sector and banking sector.

Next Steps: Publication of paper early 2013

Market consistency web portal

IFR members have found that the Groupe's web portal on market consistency is a worthwhile resource, but there are doubts if it is in fact consulted by members. As a result it has been agreed that a questionnaire will be sent out to MAs to obtain feed-back on the portal use. Following the feed-back it will be determined how best to proceed with the web portal or if it should be shut down.

Next Steps: Deadline for Member Associations to respond to questionnaire 30 November.

Regulation of Indices

The Chairman and Ken Forman will produce a paper by the end of November (as part of the Commission consultation for a Regulation on indices), aiming for a more in-depth paper by the end of the year. The consultation explores the possibility to introduce a framework for the Regulation and use of indices serving as benchmarks in financial and other contracts.

Next Steps: Groupe to submit Position Paper by 29 November.

Priority EU issues

A number of issues have been identified by the members of the IFR committee as a matter of priority. They include:

Shadow Banking – where the Groupe has already sent comments to the Commission (June 2012).
Proposal by the EU expected in 2013

MiFID II – EU formal and final approval to take place end-2012

UCITS V

Long-term Investments – EU Green Paper expected late 2012/early 2013

Deposit Guarantee Schemes – Commission draft Directive issued 2010, EP plenary vote February 2012, currently awaiting Council 1st Reading

CRD IV – revised Capital Requirement Rules directive, amending capital requirement for bank and investment firms. The CRD IV implements Basel III. EU Finance Ministers want to reach agreement by end of 2012.

Liikanen Report – High-Level Expert Group on reforming the structure of the EU Banking Sector

Financial Stability including stress tests

PRIPS

Risk Management Survey

Standard, Freedoms and Professionalism Committee

Actuarial Standards

The Exposure Draft by the Standards Project Team of a model Standard on Actuarial Reporting under Solvency II (GCASP2) was addressed in the committee. The Exposure Draft has been sent to Member Associations and external stakeholders (EU; EIOPA; Insurance Europe; AMICE EFRAG; CRO Forum among others) for consultation (deadline 1 March). Although the urgency of the subject is less now, due to the delay of agreement on Solvency II by the EU, the Committee agreed that the Exposure Draft should be issued in order to raise awareness. This should allow sufficient time for good exposure and consultation and, if required, revisions for a second Exposure Draft.

Next steps: A revised version of the GCASP 2 (or a second Exposure Draft) will be considered in the spring 2013 meetings.

Currently the Quality of Actuarial Work (GCASP1) is awaiting the completion by the IAA of ISAP1. Once this has taken place, the Standards Project team and the committee will consider how GCASP1 should reflect ISAP1.

Code of Conduct:

The two-stage review of the Code of Conduct was also addressed by the committee. The first-stage review, which aims to make the code more accessible and gender-neutral, is expected to be completed by way of an electronic vote by the General Assembly (deadline 3 December). This revision of the Code will not require Member Association to change their own codes of conduct.

The second stage involves a wider and more long-term review, including a comparison with other professions' codes, and will be undertaken by a small Task Force. It is likely that this review will require Member Association to amend their own codes.

Mutual Recognition Agreement

Following further discussions with the Actuarial Society of South Africa, it is hoped to present firm proposals for a Mutual Recognition Agreement with members of the Groupe at the spring meeting in 2013.

Education Committee

Core Syllabus

It was agreed that the implementation date for the revised Core Syllabus will be the start of the academic year of 2014-2015 for new students. It was noted that the Core Syllabus covers the basic requirements and that each country is responsible for the education programme. The assessment procedure which is being developed and which it is hoped to introduce at the Annual Meeting in 2013 will make sure that each Member Association complies with the Core Syllabus.

A Review Working Group (to be established) will review the Core Syllabus every year. There is also an intention to eventually incorporate the CERA Syllabus into the Groupe Syllabus. Once this has taken place a separate CERA Syllabus will no longer be necessary.

IAA

Ron Hersmis, who steps down as Chairman after six years, will continue his membership of the Committee as IAA liaison.

CPD

The committee will undertake work on a system of mandatory CPD which can be used by all Member Association. However, this should include an exemption rule and perhaps work according to the principle of "comply or explain".

Proposed joint GC/IAA Education Seminar May 2013, The Hague

Currently a programme is being drawn up and speakers identified to take part in the seminar, "Educating Actuarial Professionals for the Future" to coincide with the 125th anniversary of the Dutch Actuarial Association.

Public Affairs and Communications

In the Public Affairs field various operational tools in the form of public affairs tables have been developed to keep track of and update Groupe activities and Groupe interfaces with the EU and external stakeholders.

EU public information campaigns have taken place in relation to

- an EU age & disability draft directive which has an impact in the insurance area;
- sustainable pensions which is the theme of the new Sub-committee on Social Security (Pensions).

These information campaigns have helped open many new doors in the European institutions for the Groupe, including DG Employment; DG Ecfm; Cabinets of EU Commissioners, Members and rapporteurs of the European Parliament; Member States' Permanent Representations in Brussels, as well as enhancing existing relationships with a number of other EU stakeholders.

In addition, revision of the Groupe website to attract more readers is under way, to provide better coverage of EU news and Groupe news, and an internal newsletter sharing Member Associations' news with other associations.

There has been an increase in press releases to the media in relation to publications of position papers, public hearings, and Groupe events (such as the European Congress of Actuaries), and brochures on "Why Use an Actuary", and "Solvency II – raising the bar on insurance technical expertise" have been published.

The Groupe is also raising its visible and public presence in EU conferences, seminars and public hearings in order to help build more contacts and increase the volume of intelligence. This runs in parallel with general tracking and monitoring of legislative and non-legislative news; potential new stakeholder contacts; events etc from EU institutions.

Karel Goossens
Chairman

November 2012