



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

Chairman's Report to Member Associations
February 2012

As the introduction to this report to member associations, I would like to wish you – a little belatedly perhaps – a happy and prosperous New Year. 2011 was a busy year for the Groupe in terms of professional, technical and logistical issues, and 2012 seems likely to continue at a similar pace. As a profession, actuaries are well-placed to contribute to finding ways out of the current financial crisis.

In the following paragraphs I summarise the activities by the Groupe over the past three months, and outline forthcoming developments. You are encouraged to share this information with your Boards and your members.

Officers of the Groupe

You are reminded that invitations to submit nominations for Officer positions falling vacant in 2012 were circulated in November. Nominations should be submitted to the Groupe Secretary by the end of February.

Actuarial Standards

- The Standards Project Team (SPT) still requires additional volunteers to assist with further work in developing and drafting standards. I urgently request member associations to nominate individuals, in particular those with some experience in drafting standards, to assist with this work.
- The SPT is reviewing the proposals for GCASP1 in the light of dialogue with IAA and EIOPA's proposals for Actuarial Guidelines, and taking into account comments from the Standards, Freedoms and Professionalism Committee; further feedback will be invited from member associations.
- Current draft proposals for GCASP2 include too much detail and will be revised to define what the Actuarial Function has to report, not what to do; opinion should confirm that main 'headline' items have been addressed, and identify concerns over any deficiencies, with appropriate recommendations for rectification.
- Experience in the UK Board for Actuarial Standards (BAS) emphasises the importance of early (and continuing) consultation with external stakeholders – a view also emphasised during the Officers' recent meeting with the European Commission. Attention was also drawn to the lead time required to introduce standards; impact assessment to see what difference standards had made; implications for Pensions of standards developed for Solvency II in Insurance; the advantages of making standards as generic as possible. BAS would be happy to provide further assistance, advice and opinions to the Groupe.

Insurance

- There is speculation amongst other stakeholders and the media on probable further delay in implementation of Solvency II until 2015. While unconfirmed, such a prediction is consistent with continuing controversy in the European Parliament relating principally to discount rates and the reflection of asset illiquidity. It seems likely that it will be difficult to commit to application of a harmonised Pillar 1 until such time as confidence in Eurozone stability can be recovered. It is unfortunate that this is delaying Pillar 2 (governance including ORSA).
- The Groupe has responded to EIOPA consultations on ORSA guidelines and on reporting templates and is working on a response to pre-consultations on undertaking-specific parameters (methods and data) and on the loss-absorbing capacity of technical provisions.
- The Groupe supported CRO Forum representations to counter a part of the draft Level 2 text which could have been interpreted as requiring the actuarial function normally to be stand-alone. The Groupe notes that the position with respect to audit or other quality assurance of Solvency II reporting remains vague.
- A paper on the importance of age and disability as rating factors was published in December (available on the Groupe's web site), and circulated to a wider audience (MEPs, Commission, EIOPA, other stakeholders and media): follow-up discussions with MEPs, Commission officials and other stakeholders are in progress. Both within the Commission and among Member States it appears unlikely that age and disability will be excluded as rating factors in a draft Directive on discrimination; hence the urgency of this issue for the insurance sector is eased.
- The Commission is to make an assessment report in 2014 of the Gender Directive. The Insurance Committee undertook a survey of member associations in 2009 on the implementation of the Directive and, following talks with the Commission, it will be considered whether to undertake a follow-up survey to support the Commission with the Groupe's data.

Pensions

- The Committee drafted an extensive response to the second EIOPA consultation on the Commission's CfA on the review of the IORP Directive (available on the Groupe's web site). The committee chairman, Falco Valkenburg, and other members will participate in a Public Hearing on 1 March.
- I would like to repeat my request for member associations to nominate appropriate volunteers to establish a social security sub-committee.

Investment and Financial Risk

- A working group on sovereign risk, consisting of members of the three technical committees of the Groupe, has requested data from EIOPA, and drafted a survey on economic capital models in Europe and how sovereign risk is captured by companies. This survey will be pursued initially through CRO Forum and CEA. The aim of the working group is to present an initial draft paper for the Spring meetings for committee consideration, and to present the main thoughts on it at the Congress in June.

Education

- A draft procedure for assessing education programmes will be considered at the Spring meeting: it is hoped it will be ready to introduce at the Rome Annual Meeting.

1st European Congress of Actuaries (ECA 2012)

- A detailed (albeit provisional) programme, with details of speakers and topics, is now available on the web site (www.eca2012.org).

- The Congress will be advertised in various media and through business/social networking sites.
- The overall theme of Congress will be The European Actuary of the Future, in particular Solvency II, Enterprise Risk Management, and the Role of the Actuary. Promotion of the event will be within the wider context of the financial crisis so that it is not perceived as solely of internal interest; the forthcoming Groupe paper on Sovereign Credit Risk will also feature.
- CEA, EFRP, AMICE will be asked to promote the Congress to their members; complementary invitations will be sent to the chairmen of these organisations.
- Registration is now active.
- All Member Associations are expected to be well-represented at the Congress, and I would request you to bring the event to the attention of your members. Please make sure, through the appropriate channel of your association, that the news on the Congress will reach each of your members in a timely manner. I would like to ask you to arrange that the President/Chairman of your association addresses the issue to the membership. 1 or 2 free places for each member association will be available.

Public Affairs

Following the appointment of Pia Skaerbak as Deputy Chief Executive (Public Affairs), considerable progress has been made in

- Press releases publicising the Groupe's activities (for example, age and disability, Solvency for Pensions)
- Extending links and developing further dialogue with the European Parliament, Commission, Member States' Representations in Brussels, and with other stakeholders, to provide briefing on topical issues
- Highlighting the role of the Groupe through interviews with Officers, which have featured in associations' and external media
- Changes to the Groupe's web site to provide more accessible links to current news items and press releases, speeches and presentations by the Groupe. We will also be looking to improve the marketing of the web site, particularly to individual actuaries, as a source of information on relevant developments in Europe.

Consumer Protection issues

The Officers are taking steps to establish a task force on consumer protection issues, with representation from each of the Groupe's committees, to examine whether the actuarial profession could have a wider role to play in serving the public interest in this area. Commissioner Barnier, Karel van Hulle and EIOPA are all very supportive of the idea that the Groupe should pursue such an initiative. The task force will scope out -

- the role that the actuarial profession (and the Groupe) might play in this field
- the issues which should be addressed, and how
- the issues which should not be addressed by the profession
- recommendations for implementing a strategy, including communication and participation with the other stakeholders concerned

Meetings with other organisations

Meetings with EIOPA and the European Commission were held on 30 November and 15 December respectively. These meetings discussed several of the issues to which I have referred above –

- Solvency II
- Role of the Actuary / Actuarial Function
- Actuarial Standards

- Solvency for Pensions / Review of IORP Directive
- Age and Disability as rating factors
- Consumer protection issues

At a meeting with EFRP on 14 December we summarised the main features of the Groupe's response to the EIOPA consultation, and discussed the main concerns for EFRP –

- governance and disclosure
- holistic balance sheet
 - starting point?
 - must not be seen as part of formal financial reporting
- QIS should examine macro-economic impact of Solvency II on pension funds
- market consistency and countercyclicality
- different security levels across Member States

Forthcoming meetings

The Spring meetings of the various committees will take place as follows -

- Standards, Freedoms and Professionalism / Insurance – 22/23 March – Utrecht
- Education, Pensions and IFR – 20 April - Ljubljana

Details of the Utrecht meetings were circulated recently by the Groupe Secretariat, and information on the Ljubljana meetings can be expected shortly. I look forward to seeing as many as possible of you at these meetings.

The Officers are always keen to receive feedback from member associations and encourage all member associations to participate actively in the work of the Groupe. If you would like me or one of the other Officers to participate in your annual meeting or some other event in your association's calendar, please let us know. Also, if you have any comments or questions on the above or a message of importance to the Officers please feel free to contact me or my fellow Officers through the Groupe Secretary or via the appropriate committees or project teams.

Gábor Hanák
Chairman

February 2012