



**GROUPE CONSULTATIF ACTUARIEL EUROPEEN**  
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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**Notes of a meeting of the Standards Task Force**  
**Lisbon, 22 March 2010**

**Participants:**

Chris Daykin (chairman)  
Thomas Béhar  
Jiri Fialka  
Manuel Peraita  
Jukka Rantala  
Seamus Creedon  
Michael Lucas (Groupe Secretary)

**Action**

**1. Opening of meeting and adoption of agenda**

Chris opened the meeting and confirmed the agenda as circulated. He thanked Maria in her absence for hosting the meeting.

In item 7 of the agenda, it was noted that Jiri *Kral* should be Jiri *Fialka*.

**2. Apologies for absence.**

Apologies from Maria de Nazaré Barroso, Ad Kok and Ulrich Orbanz were noted.

**3. Update on activities**

Chris reported on activities since the last meeting, in Paris on 20 January 2010, in particular in the International Actuarial Standard-setters Round Table and the IAA Task Force on Convergence of Actuarial Standards, papers for both of which Chris had circulated with the agenda. Among the key points which Chris identified were –

- the Standard-setters Round Table vision and purpose;
- the scepticism of the USA regarding harmonisation of standards;
- the 'soft' objective to have actuarial standards everywhere;
- a shorter term aim to try to secure convergence on some key principles;
- the IAA Task Force would seek to define a strategic objective for the IAA in relation to standards ;
- interest was more in technical, rather than professional/ethical, standards;
- the revision of IFRS4 offered a window of opportunity for the IAA to introduce a single global standard.

Seamus gave a brief update on relevant developments in the Solvency II project, including -

- the report by the CEIOPS' illiquidity premium task force;
- the fortnightly meetings of representatives of Member States, led by the Commission, to consider the draft L2 text.;
- amendments to the Directive regarding the composition and powers of the EIOPA stakeholder group, on which the Groupe had responded to propose explicit inclusion

of the actuarial profession.

#### 4. **New Terms of Reference**

The proposed Terms of Reference, which had been amended in the light of comments made at the last meeting, were agreed, subject to the addition of a brief footnote to explain that Article 47 in the original ToR now corresponds to Article 48. Thomas asked whether the present Task Force would be responsible for implementation of standards. Chris pointed out that this would be a matter for decision by the General Assembly at the Annual Meeting in Brussels in October, but would in any case require further amendments to the ToR, and would also depend on feedback from CEIOPS.

**ML**

It was noted that the new ToR would be submitted to the Officers and the Freedoms Committee at the forthcoming meetings in Madrid, to allow for discussion of the new paragraphs 6-9 on the broader role of the actuary.

#### 5. **Relationship between public interest standards and fit and proper**

Chris referred to the meeting with CEIOPS on 17 December, when it became clear that CEIOPS considered that the Groupe should focus on technical standards, ethical and other professional standards being regarded as taken care of by 'fit and proper' legislation. He outlined the main points in his paper, which summarised the references to fit and proper in the L1 and L2 text. He also referred to the Australian standard on fit and proper, and its requirement for annual re-assessment; in a similar vein, Seamus noted a recent statement by the new Irish regulator who had identified the need to be able to remove an individual who is deemed no longer to meet the fit and proper criteria. Thomas drew attention to a number of points –

- supervisors' powers need to be clearly defined, and there needs to be a right of appeal;
- papers on fit and proper by IAIS and Singapore (which Thomas will circulate), and their reference to fitness as a combination of knowledge and soundness of judgement;
- the need for re-assessment;
- the situation of a temporary vacancy;
- conflict of interest;
- 'fit and proper' requirements should also apply to the supervisor.

**TB**

Seamus referred to recent discussions within the Commission on disclosure of current fitness and propriety, and the draft Level 2 text on Public Disclosure, which he will send to Chris: it might be appropriate to include reference to this in Chris's paper, and refer to providing an appropriate benchmark for firms.

**SC**

Manuel noted that it would be very difficult to have prescriptive rules for 'proper': this should be used as an argument for promoting membership of a recognised professional (actuarial) association as a basis for establishing and maintaining propriety.

Jukka suggested that more should be said about the disciplinary process, and Seamus suggested that reference should be made to the use of whistle-blowing.

Chris agreed to re-draft his paper in the light of these comments and circulate it as soon as possible for any further points, with a view to submitting to CEIOPS as a discussion draft for the meeting with them on 31 March. The revised paper will refer to the Australian and IAIS 'fit and proper' standards.

**CD**

## 6. Process / structures for developing technical standards

Chris presented his revised paper on a process for the Groupe developing technical standards for endorsement by CEIOPS/EIOPA. Gabor Hanak's comments on Chris's paper were discussed. During discussion, a number of practical issues were raised, including –

- the relationship between the Actuarial Standards Board and the Groupe itself: it needs to be independent, but still allow for consultation with member associations;
- the process for appointing the Actuarial Standards Board, inviting nominations and considering them (Nominations Panel?);
- the status of the non-actuarial Board members (individuals or representatives of particular groups);
- membership of the Board should reflect a balance of geographical and other interests;
- resourcing: the work of the Board will require technically-qualified staff as well as volunteers (see item 7 next on the agenda);
- CEIOPS / EIOPA should be invited to be an observer at the Board;
- how to ensure adoption of standards by member associations: should this be a statutory requirement, cf. adoption of the Code of Conduct? Some standards may not be relevant for some associations, and associations are likely to have to go through their own due process before standards can be adopted.
- should it be possible for standards to be adapted locally (as is the case with IFRS)?

Chris will revise his draft to reflect these points – for discussion in Madrid

**CD**

## 7. Resourcing the development of technical standards

Jukka presented his paper, which was based on initial ideas by Jiri and comments from Thomas. The paper identified the need for additional resources, and examined different possible ways of providing these: volunteers; secondment/sponsorship by industry or CEIOPS; increasing income.

Increasing income would require the membership fee to be raised – this could present a significant hurdle for some associations, particularly the smaller ones. Chris noted that some of the larger associations (including Germany, France and UK) had indicated that they would be willing to provide a short-term injection of funds to get things going, but there would still be a continuing higher level of funding required to support the monitoring and updating of standards. CEIOPS believed the costs of compliance should fall on firms themselves.

Chris wondered whether there might be an opportunity to generate an income stream from running seminars (e.g. on Solvency II) – others believed that there would be considerable competition here which would limit the scope for significant income.

Jukka agreed to revise his paper, with help from Jiri and Thomas, in the light of the discussion. Chris will also provide input, using information which he has been gathering in a financial spreadsheet. The revised paper will identify options and 'order of magnitude' figures for the meetings in Madrid.

**JR, JF  
TB, CD**

## 8. Future programme of work

- paper on 'fit and proper' for meeting with CEIOPS – 31 March
- revised papers on process/structure and resourcing for Madrid
- further meeting of Task Force after Madrid – probably mid-May (Michael to circulate possible dates: aim to meet Frankfurt, Amsterdam or London)

- keep other committees (IFR and Education) informed

**9. Contacts with stakeholders**

- CEIOPS' Consultative Panel – 20 May
- European Commission – another 6-monthly meeting due in June
- CEA, AMICE, CRO Forum – have not responded to our earlier approaches: decision on following up on a bilateral basis will depend on a favourable reaction from CEIOPS

**10. Future meetings**

The next meeting will be held in Madrid on 14 April (14.30-18.00). Provisional outline for further meetings – mid-May; July; early September

**CD, ML**