



100th anniversary Finish Society of Actuaries 2022

“All what is legal might not be ethical”

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Helsinki

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Agenda

- AAE Introduction and priorities
- AAE Code of Conduct
- development of European insurance market
- Case study: Some EU countries insurance companies failures
- AAE role in increase of quality of actuarial work by fit and proper of actuaries profession

Actuarial Association of Europe

The Actuarial Association of Europe (AAE) was established in 1978 under the name [Groupe Consultatif](#) to represent actuarial associations in Europe. Its purpose is to provide advice and opinions to the various organisations of the European Union – the Commission, the Council of Ministers, the European Parliament, EIOPA and their various committees – on actuarial issues in European legislation.

The AAE currently has 37 [member associations](#) in 36 European countries, representing over 27,000 actuaries.

Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests.



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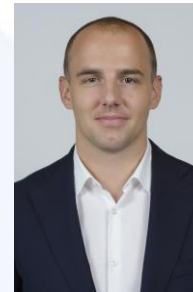
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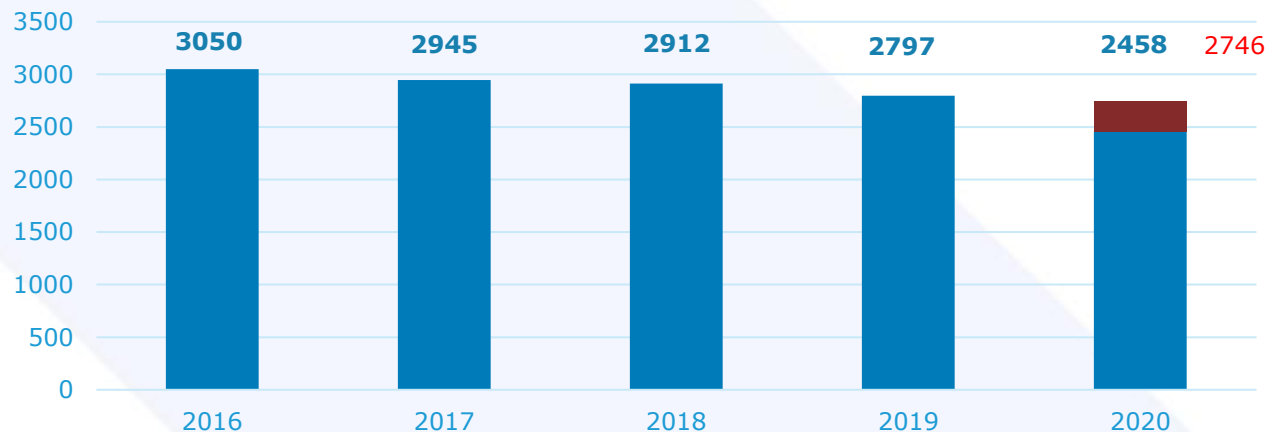
AAE events: ECA European Congress of Actuaries 2-3 June 2022, Madrid
Convention A, online – 20-21 September 2022
AAE round table, online December 2022

Quality of actuarial work is key

- Inappropriate quality of actuarial work can do material harm to individuals and can materially impact the wellbeing of society, e.g.
 - Company underserving can lead to bankruptcy or restructuring with material harm to consumers not covered by an insurance guarantee fund.
 - Sector wide underserving may lead to lack of macroeconomic flexibility, which in turn jeopardises wellbeing of society.
- Currently Europe seems less affected compared to other areas.
- But let's have closer look on some cases, as it can be done always better.

Overview of EEA Insurance market

Number of Insurance Undertakings in EEA



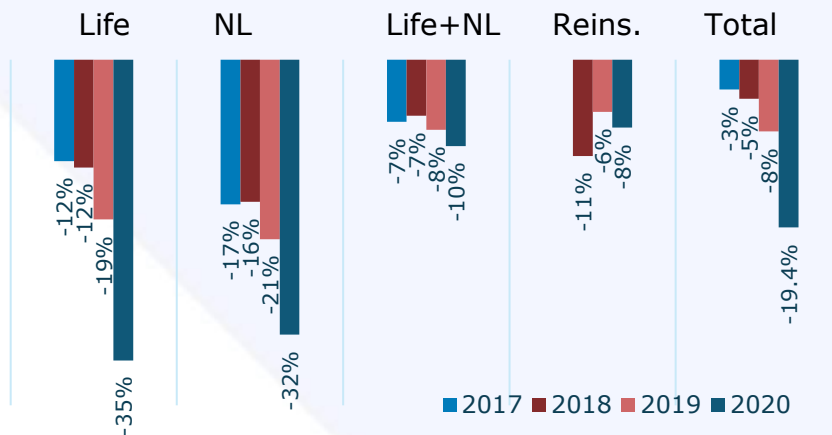
From 2016 till 2020 the number of insurance undertakings under EIOPA supervision has

- decreased by 10% , **in total 304 companies, after UK market correction.**
- decrease is 19.4%, including the Brexit effect
- In some years the number of supervised insurance undertakings decreased by 100 companies per year

Source: EIOPA Reports on LTG measures for year 2016, 2017, 2018, 2019, 2020

Details of EEA Insurance market

% TOTAL CHANGE OF THE NUMBER OF EXISTING INSURANCE COMPANIES



From 2016 till 2020 decreased total number by **592 companies before UK adjustment**

- in year 2019 decreased by 115
- in year 2020 decreased by 51

The split by reasons what is behind the decrease is not provided, it might be:

- M&A
- Transformation to branch in MA
- Bankruptcy and Liquidation
- Brexit (288 in 2020)

year	Life	NL	life+NL	reinsurer	total
2016	681	1939	430	-	3050
2017	601	1614	399	331	2945
2018	596	1620	402	294	2912
2019	555	1536	395	311	2797
2020	444	1322	387	305	2458

Life insurance companies decreased by 35% from 681 to 444
Non Life insurance companies by 32% from 1939 to 1322

Insurance market dynamics 2018 -2022 in Slovakia

In 2022 Slovak market has just 27 insurance companies present:

- **10 insurance companies with residence** in Slovakia (lowered by 15 since 2018)
- **17 branches of companies with residence abroad** (lowered by 21 since 2018)
- 572 active insurance companies in local market (EU passport) (was 625 in 2018)
- 1 reinsurance
- 1 company in restructuralisation (bankruptcy)
- 173 companies left the Slovak market

Many foreign actuaries, or their work, are present in Slovak market, they do not have to comply with local actuarial association requirements, as it is not required by legislation.

Local supervisor plays important role to assess who can perform the qualified work.
AAE rules plays important role to unify the requirements on all actuaries.

Some insurance companies in trouble in recent years in Denmark

- **Qudos Insurance A/S** filed bankruptcy in **December 2018**
 - Operated in: Denmark, France, Germany, Greece, Ireland, Italy, Malta, Norway, Sweden and UK
 - The **court decision the Danish Guarantee Fund for non-life insurance covered all European policyholders.**
- **Gefion Finans** filed bankruptcy in **June 2021** ,
 - operated in Denmark, France, Germany, Ireland, Italy, Poland, UK
 - “The **Danish Guarantee Fund will only cover risks** (within the scope of coverage) in Denmark for insurance policies written in Denmark.

“EIOPA regrets that equal and adequate protection of policyholders and claimants still cannot be ensured throughout Europe due to the absence of harmonisation of national Insurance Guarantee Schemes at EU level, within the broader context of recovery and resolution.”

Insurance Guarantee Schemes

- This is important topic for many national actuarial associations
- Within Europe, there are various IGSs implemented

In 2010 IGSs existed in 12 countries

- of the 30 EU-EEA countries, **only 12 operated** one or more general IGSs. Countries where **IGS are available are**: Bulgaria, Denmark, France, Finland, Germany, Ireland, Latvia, Malta, Norway, Poland, Romania, Spain and the United Kingdom.

In 2019 IGSs exist in 20 countries,

next to above mentioned also: Austria, Belgium, Estonia, Greece, Hungary, Italy, Portugal.

IGSs are not present in 11 countries Croatia, Cyprus, Czech Republic, Iceland, Lichtenstein, Lithuania, Luxembourg, Netherlands, Slovakia, Slovenia, Sweden

Some insurance companies were in trouble in recent years in Romania

- **Astra insurance** in August 2015 , - 1.8m clients, 10% market share in MTPL

company was given under the special administration beginning 2014

“On June 2015, Astra Asigurari had a negative solvency margin and needed EUR 218 million worth of new capital, according to ASF.”

- **Carpatia Insurance** in August 2016 -1.3m clients

“EUR 200 million worth of fresh capital to cover the negative equity and meet the minimum capital requirement (MCR) and solvency capital requirement (SCR), according to ASF”

- **City insurance** – April 2022, over 3 million clients, major MTPL provider 45% market share

request to declare bankruptcy was filed to Romanian NCA in Aug 2019

“Although the legal required amount to have is € 150 million, the company would need € 300 million to pay all its debts.”

- **Claims will be covered by the MTPL Romanian guaranteed fund**

Source: internet [One of Romania's largest insurers goes bankrupt | Romania Insider \(romania-insider.com\)](https://romania-insider.com/one-of-romania-s-largest-insurers-goes-bankrupt/)

- [Romanian insurance company "City Insurance" on the brink of bankruptcy | Risk & Compliance Platform Europe \(riskcompliance.biz\)](https://riskcompliance.biz/romanian-insurance-company-city-insurance-on-the-brink-of-bankruptcy/)

Question

The treatment of customers situations in 2018 and 2021 were in line with valid law
– **the situation was legal, but was is ethical?**

Survey:

Please go to
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Event number # 863001

Question

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Do IGSs increase the moral hazard risk?

Who is most exposed to moral hazard risk?

Questions?

- All the insurance companies in Romania were large market players active in MTPL
- MTPL is mandatory, and had IGs
- The signs of the problems were arising much sooner before regulator took action.
- the company did not had enough money to pay the claims,
- capital requested was suddenly very high , and shareholder failed to increase it

Who should be blamed in Romania?

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Quality of actuarial work is key

- **Europe applies fit and proper requirements to personnel assuming key functions**
 - Where delegated to member states, these requirement are sometimes implemented as reserved role
 - Else it is often delegated to companies to define fit and proper, however **these definition are often exposed to conflict of interest**
 - There are also areas, **where the governance is even not yet clear, esp. IFRS 17 and Sustainability reporting.**
- These inconsistencies and gaps have the potential to harm individuals and societies. How to address this challenge?

Number of AAE Fully Qualified actuaries

Number of FQA in 2022 vs 2016

	2022/2016	2022	2016
Total number of FQA	26.5%	27,809	21,975
Total excl UK	22.4%	17,131	13,994

development in selected countries:

Bulgaria	-7.4%	50	54
Cyprus	25.0%	50	40
Denmark	-5.1%	168	177
Finland	2.1%	99	97
France	15.0%	2,303	2,002
Germany	34.9%	5,609	4,158
Ireland	49.1%	1,118	750
Luxembourg	-12.7%	165	189
Netherlands	22.3%	1,285	1,051
Romania	40.6%	45	32
Slovakia	-6.1%	31	33

Id there enough actuaries?

AAE is committed to providing and maintaining fit and proper criteria as well as correspondingly qualified personnel

- Minimum Education requirements – **AAE Core Syllabus**
- Ethical Standards – **AAE Code of Conduct**
- **AAE Continual Professional development** requirements
- Standards of Practice
 - **European Standards of Actuarial Practice** that complement **International Standards of Actuarial Practice**
- **AAE Mutual Recognition Agreement** – treaty that ensures the alignment of actuarial qualification and recognition throughout Europe. The treaty was resigned in 2021 by all actuarial associations in EU plus Norway, Iceland and Switzerland.

All of the above is regularly reviewed and maintained.

AAE Code of Conduct

Here are some do's and don'ts that might help to recognize actuarial professional based on five principles:

- Integrity,
- Competence and Care,
- Compliance,
- Impartiality,
- Communication.

5 principles of AAE Code of Conduct (1)

- **do the things right way even though nobody is looking**, and to act honestly, avoid hidden agenda and personal profit - **Integrity**,
- **do the work-related activities and give professional advice for the business areas the actuary has relevant education and sufficient experience**,
- avoid appearance of being a fault expert, or not to know the legislation of business and place where the service is given - **Competence and Care**,
- **know the rules and regulation and market norms** and stay withing in the playfield, avoid using the short cuts like pushing the high profits up front and expected losses later on - **Compliance**,

5 principles of AAE Code of Conduct (2)

- act without undue influence that shall replace the expert judgment, avoid conflict of interest and the last the most important one – **Impartiality**,
- do use the language and style of the message adjusted to the audience experience, so the main points and advice are understood right way but still do not forget to mention important conditions or limitation. Documentation is the key element. Communication for actuaries known for their strong mathematical background means to translate the numbers, as output from complex models, to clear actionable messages to company decision makers, to avoid too technical language - **Communication**.

Conclusion

The ethical behavior defined within the AAE Code of Conduct
is critical success factor to deliver

long term
high quality
done with competence duties and care

of the professional services that are beneficial for the whole
society and communities.

ACTUARIAL ASSOCIATION OF EUROPE

Possible subtitle or introduction (Titlepage option 2)