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Chairman's Report to Member Associations
August 2012

Since my last report to member associations in May, the Groupe organized with apparent success the first ever European Congress of Actuaries in June, and the Officers of the Groupe have held their regular six-monthly meetings with the Insurance Unit at the Commission's DG Internal Market and with EIOPA. There have also been meetings with several other organisations, and progress with a number of key issues. This report summarises the main topics discussed at these meetings and the other activities which have been evolving over the past three months, and outlines forthcoming developments. You are encouraged to share this report with your Boards and your members.

Meetings with Commission and EIOPA

The meetings with the Commission and EIOPA which were held in June both covered the same topics:

- Solvency II, in particular
 - back book/grandfathering
 - counter-cyclical premium/market adjustment
 - extrapolation of discount rate
 - role of external auditor, and relationship between actuary and auditor
- Actuarial standards
- Review of IORP Directive
- Consumer protection

Both the Commission and EIOPA indicated that they would be pleased to have the opportunity to comment in due course on the Groupe's strategy proposals (see below) and various papers including those on market consistency and sovereign risk.

Strategic Planning

The Officers and the strategy task force have held two meetings and a number of discussions to progress the development of the Groupe's revised strategy, which will include a vision for the actuarial profession in Europe, a mission statement for the Groupe, strategic objectives, and a set of actions and priorities. These actions would form the basis of a rolling business plan, and the General Assembly will be asked to assess and review the achievement of the plan's objectives in the past year and set the goals for the next year. It is expected to circulate these strategy proposals to member associations in early September in order to allow associations sufficient time to consider and prepare for discussion at the General Assembly meeting in Rome in October.

Public Affairs

Publication of the Groupe's brochure "*Why use an Actuary?*" and paper on "*Sustainability of pension systems in Europe – the demographic challenge*" in June/July were followed up via meetings with a

number of stakeholders, including Insurance Europe, EFRP, European Commission and EIOPA. In addition to our well-established contacts in the Commission at DG Internal Market, we have now established links at DG Employment and Social Affairs. Further meetings are being arranged after the summer vacation with MEPs, DG EcoFin and certain consumer groups in relation to pensions/ageing issues.

Meetings have also been held with CRO Forum, CFO Forum, FERMA (Federation of European Risk Management Associations), and FEE (Fédération des Experts Comptables Européens) – the accountants' equivalent of the Groupe Consultatif, to promote the role of the Groupe and to explore areas of mutual interest.

Pia Skaerbak, the Groupe's Public Affairs director is developing contacts with the public affairs units (where these exist) in member associations, to share experience and strengthen internal communication. We are also looking at whether we can make better use of *The European Actuary* to publicise the Groupe and the work that it undertakes.

Actuarial Standards

It is expected to have a first full draft of GCASP2 (Actuarial Reporting under Solvency II) available for the meeting of the Standards Project Team (SPT) on 2 August. Thereafter there will be some informal consultation before circulating a draft to member associations by early September, with a view to obtaining approval for circulation of a formal Exposure Draft in Rome. At the same time, the IAA standard setting committee is about to consider next steps with ISAP1 – which will have implications for how the Groupe proceeds in relation to GCASP1 (quality of actuarial work).

In addition there has been good progress with the minor review of the Groupe's Code of Conduct which is being undertaken by the SPT, and we expect that a draft will be ready for the Rome meetings.

The brochure "*Why use an Actuary?*", which was drafted by the SPT, was published at the beginning of June, to coincide with the first European Congress of Actuaries. It is being distributed widely to other European stakeholders. The text of the brochure has been sent to member associations, who are encouraged to translate and adapt it for local requirements, and to distribute it to national supervisors, industry and other relevant stakeholders.

Standards, Freedoms and Professionalism

- Actuarial Standards and Code of Conduct (see above)
- Following the enquiry from the Actuarial Society of South Africa (ASSA) about the possibility of a mutual recognition agreement with the Groupe, there had been an exchange of information with ASSA, and a conference call of the small task force which was set up to consider this question. The two main issues, for further discussion with ASSA, are
 - appropriate due diligence requirements – these should be the same as for any new member association
 - the form of any agreement - probably multilateral, and not to compromise any existing agreements between ASSA and individual members of the Groupe

Insurance

- Esko Kivisaari was formally appointed as Chairman of the Committee with effect from 1 May.
- The Solvency II project team has been asked by EIOPA to give our thoughts on actions aimed at exploring the impact the planned regulation may have on long term guarantee business.

- Work on the proposed position paper on Sovereign Debt Risk has been delayed. It is still hoped to be able to publish a short paper in the autumn, together with a separate paper comparing Basel 2 and Solvency II.
- A draft paper on actuarial principles in relation to Market Consistency is almost complete: it is expected to be able to send this to a small group of volunteers for critical review by mid-August. Thereafter the paper is expected to be circulated to the members of the three technical committees, the Solvency II Project Team, and the Member Associations of the Groupe in early September. This is the phase which we believe and hope can reach a consensus position. If so, the second phase will then aim at developing a paper which presents a practical interpretation/context for the specific application of Market Consistency to Solvency II in insurance and to pensions.
- The anticipated position paper on the Role of the Actuary is still in preparation.

Pensions

- Representatives of the Groupe from the Pensions Committee continue to be heavily involved in discussions with EIOPA and other stakeholders on the review of the IORP Directive, in particular drafting the technical specifications for the QIS which is about to be undertaken.
- A position paper on sustainability of pension systems was published at the beginning of July.
- At the time of writing this report, the first meeting of the Social Security sub-committee (by conference call) is about to be held. The intention for this first meeting is to agree the Terms of Reference, to review the publication of the pension sustainability position paper and the interest it has triggered and, most importantly, to discuss what the future work programme should be, which topics the sub-committee should focus on and who is willing to undertake work in which areas.

Investment and Financial Risk

- The IFR Committee submitted comments on behalf of the Groupe on the Commission's Green Paper on *Shadow Banking*.

Education

- Discussions are continuing, both internally and with the IAA, to draw up a Groupe procedure for assessing education programmes which will avoid the need for European associations to be assessed for both the Groupe and the IAA. Proposals will be submitted to the Rome General Assembly.
- Member associations have been asked to indicate whether they will be able to implement the new Core Syllabus by January 2013 and, if not, the date when they would expect to be in a position to do so.

Consumer Protection issues

- A consumer protection task force has now been established and has prepared a short questionnaire to obtain information from member associations on their current attitudes and practices in relation to actuarial involvement in consumer protection. The questionnaire is about to be circulated, for return to the Secretariat by 15 September. I would encourage you to complete and return this as soon as possible.

1st European Congress of Actuaries (ECA 2012)

- The Congress, held in Brussels on 7/8 June, was a significant success, with nearly 400 delegates attending from across Europe – and, indeed, one or two from outside Europe. Comments from delegates during and after the Congress were very favourable, and the

results of an online survey after the event confirmed a high degree of satisfaction both with the content and the organisation. I would like to take this opportunity to thank wholeheartedly all who contributed to this success, primarily the members of the Organizing Committee and the Groupe's staff. We are not complacent, however: this was very much a learning experience for us in organising an event of this nature, and we have noted some areas for improvement when we hold the next ECA.

Malta Actuarial Society

I have just returned from Malta where I was invited to participate in the official launch of the Malta Actuarial Society (MAS) on 31 July 2012. Once the MAS is fully established and operational, I hope we will be able to welcome them as a new member of the Groupe Consultatif. Then all EU Member States will be represented in the Groupe by one (or two) Member Association.

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

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