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Professional Responsibilities of Insurance Actuaries

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The Editors, the Members of the Groupe Consultatif and the contributors to the survey have made every effort to ensure that the information contained in this publication is correct, but neither they nor their national actuarial associations can be held liable for the consequences of any remaining errors or omissions.

Survey on Professional Responsibilities of Insurance Actuaries

1. Introduction

In March 2001 the Insurance Committee of the Groupe Consultatif took the initiative to start up a new study called "Survey on Professional Responsibilities of Insurance Actuaries". A first report has been discussed in the Committee in September 2001. During the fourth quarter of 2001 and the first quarter of 2002 the answers of the first edition have been reviewed and discussed with the various countries.

A questionnaire (see Appendix 1) has been sent to 27 member associations within Europe. This survey contains responses of all these 27 associations.

We consider this survey to be a good basis to start a reflection and discussion on the professional responsibilities of insurance actuaries. Especially the recent proposals of the Financial Services Authority (FSA), the British Supervisor, in respect to the Future role of actuaries in the governance of Life Insurers makes it necessary to start up that discussion rather sooner than later.

In the next chapter we'll try to give a summary of the answers on the questions. The (un)edited detailed responses are included in Appendix 3 and 4 respectively.

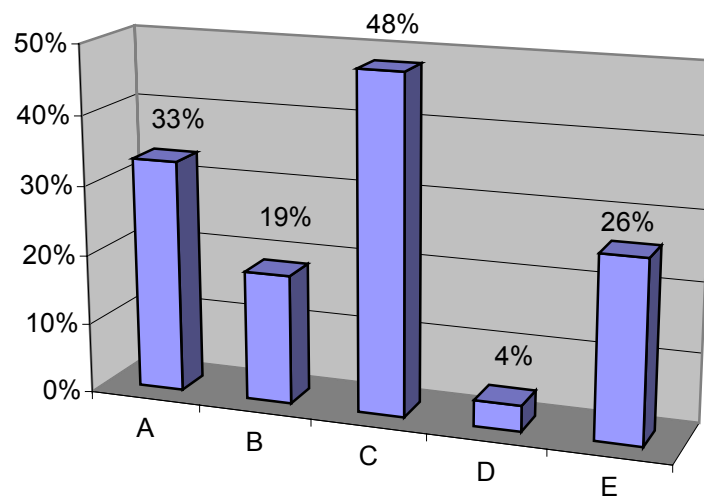
As always, any comments on this document or on its appendices will be very welcome.

Please note that more than one answer was possible for most of the questions included in the survey, therefore in most cases the shown percentages will add up more than a 100%.

2. The Survey

There was a broad range of answers regarding the way the Actuarial profession is defined in the different countries, but in the majority of the countries the profession is being defined by the Actuaries themselves.

Second in frequency was “By Law”, and in the third place we find that in 7 countries (representing 26% of the answers), the profession is not defined. Also frequently, the Insurance Supervising Authority participates in the definition of the actuaries’ role.



Is the profession of Actuary in your country defined...

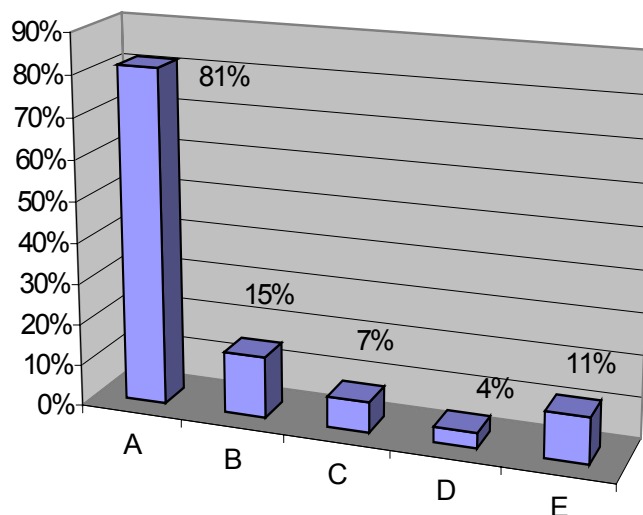
- A) *By Law*
- B) *By the Supervising Authority*
- C) *By the Profession*
- D) *By Others*
- E) *No, it's not defined.*

When asking the different countries to provide their own definition for an Actuary, it is frequent to find that no definition is available, but nevertheless, we can say that in most cases an Actuary is defined as a full member to the local Actuarial Association, although in some cases, like the Czech Republic, full membership of an International Association is also accepted.

In Sweden, the definition is in terms of required education. The education requirements contain BSc in mathematics or mathematical statistics, exams in economics corresponding to at least 15 weeks full-time studies, exams in law (10 weeks) and 2 years experience of actuarial work.

In Greece, a Presidential Decree issued upon proposal of the Minister of Commerce states the qualification requirements.

Regarding the Appointed Actuary, in most of the participating countries, law defines his/her role, although participation of the Supervising Authority and the Profession is not exceptional of course.



Is the role of Appointed Actuary in your country defined...

- A) *By Law*
- B) *By the Supervising Authority*
- C) *By the Profession*
- D) *By Others*
- E) *No, it's not defined.*

We found that most of the time the Appointed Actuary is being defined either by the applicable qualification requirements and/or his/her duties. However, we think the following definition works in general terms:

“The Actuary who estimates the correctness and sufficiency of tariffs, calculates the reserves on the bases of generally accepted actuarial methods, confirms they are adequate and fulfil the requirements set by law, confirming also that the free reserves are in accordance with the required solvency margins”.

It's really interesting to know which are the names applied to the Appointed Actuary in different languages. Here is the result from our participating countries:

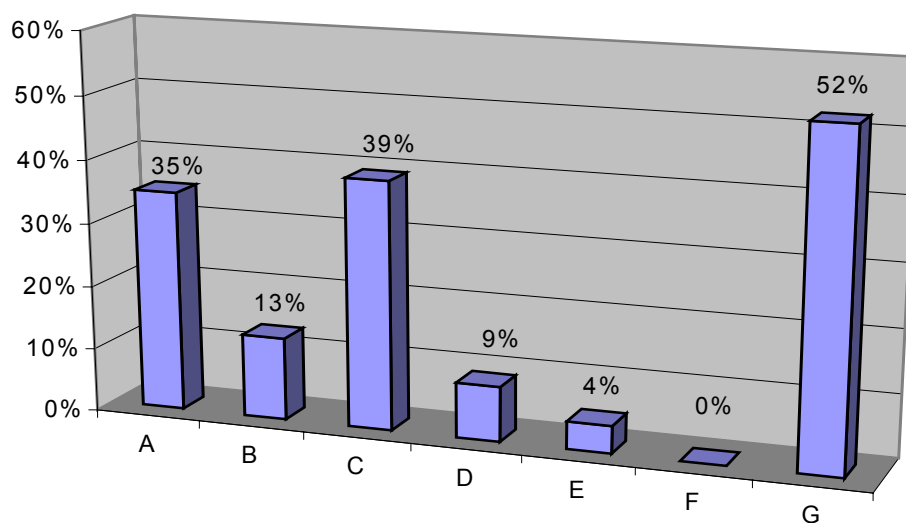
- Austria: Verantwoordlicher Aktuar.
- Belgium: Aangewezen Actuaris (Dutch), Actuaire Designé (French).
- The Channel Islands: Actuary to the Insurer.
- Croatia: Ovlašteni Aktuar.

- Cyprus: Εντεταλμένος Αναλογιστής.
- The Czech Republic: Odpovedny Pojistny Matematik.
- Denmark: Ansvarshavende Aktuar.
- Estonia: Vastutav Aktuaar.
- Finland: Vauutusmatemaatikko.
- Germany: Verantwortlicher Aktuar.
- Greece: Υπεύθυνος Αναλογιστής
- Hungary: Vezető biztosításmatematikus (aktuárius).
- Iceland: Tryggingastærðfræðingur.
- Ireland: Appointed Actuary.
- Italy: Attuario Incaricato.
- Latvia: Galvenais Aktuārs.
- Lithuania: Aktuarijus.
- The Netherlands: Certificerend Actuaris.
- Norway: Ansvarshavende Aktuar.
- Portugal: Actuário Responsável.
- Slovenia: Pooblaseni Aktuar.
- Spain: Actuario del Plan de Pensiones (Spanish)
Actuari del Pla de Pensions (Catalan)
- Sweden: Ansvarig Aktuarie.
- Switzerland: Verantwortlicher Aktuar (German),
Actuaire Responsable (French).
- The United Kingdom: Appointed Actuary.

When asking about the statutory roles that can only be fulfilled by an Actuary in general, several answers were regarding the Appointed Actuary, but at the end it's clear that these roles are consistently:

- Actuarial Valuation of liabilities.
- Product Declaration, confirming that the terms on which products and funds are offered is appropriate and reasonable.
- Declaration for New Products and Funds, confirming that the terms on which new products and funds are or will be offered are appropriate and reasonable.

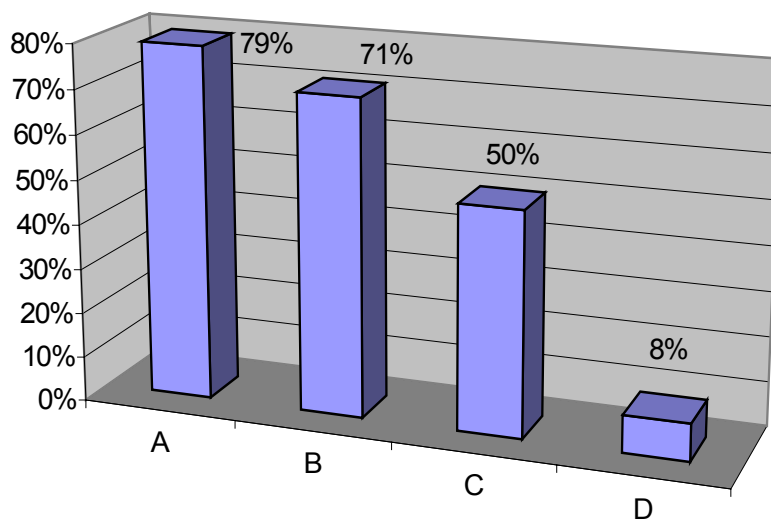
When questioned about the existence of agreements in place with other professional bodies, the government or similar, in more than 50% of the cases there are none, although the second most common case is the existence of an agreement with the profession.



Are there any agreements (contracts) with..

- A) The Profession*
- B) The Government*
- C) The Supervising Authority*
- D) The Association of Insurance Companies*
- E) The Accountants*
- F) Other*
- G) None*

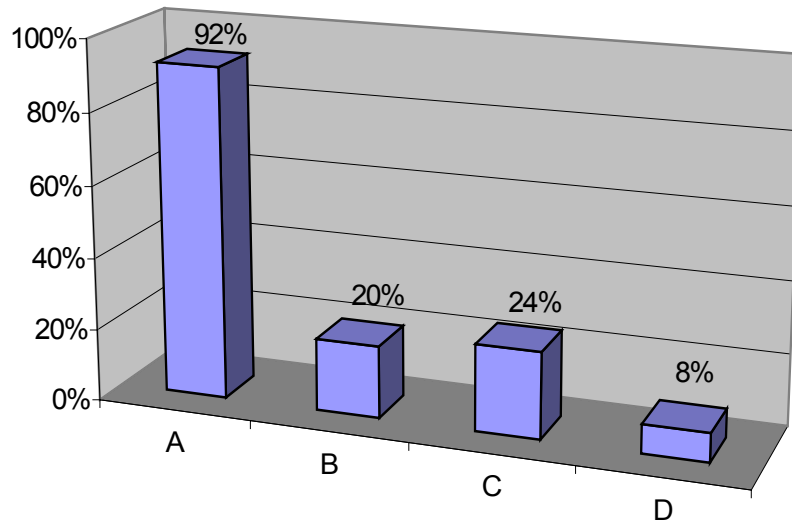
In most countries, the Appointed Actuary reports to the Board of Directors and/or the Shareholders meeting, as well as the Supervisory Authority.



To whom or which body does the Appointed Actuary report?

- A) The Board of Directors / Shareholders meeting*
- B) The Supervisory Authority*
- C) The Company's Management*
- D) Other*

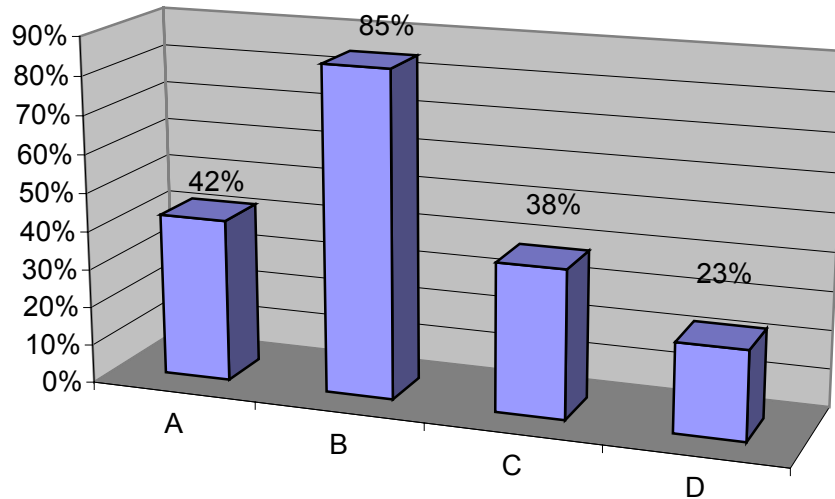
After the Actuarial Report, which was the obvious natural first choice for the statements regarding statutory reserving requiring the signature of the Appointed Actuary, the second place belongs to the Report on Solvency, followed by the Balance sheet.



Which statement(s) regarding statutory reserving is (are) signed by the Appointed Actuary?

- A) The Actuarial Report*
- B) The Balance Sheet*
- C) Report on Solvency*
- D) The Annual Report*

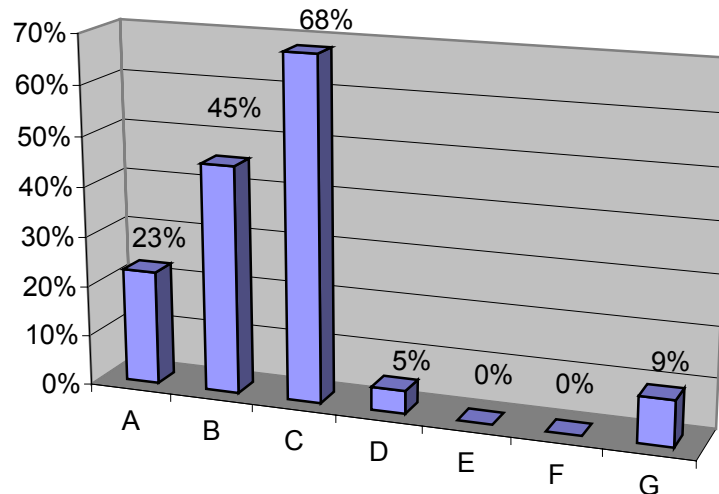
In 85% of the cases, the countries coincide in indicating the Supervisory Authority as the main recipient of the Actuarial Report, but the Management of the companies and the Board of Directors are also frequently indicated as recipients.



Who may receive the Actuarial Report?

- A) The Board of Directors*
- B) The Supervising Authority*
- C) The Companies Management*
- D) Other*

Although in several countries the contents of the Actuarial Report are not specifically defined, the importance of the Supervising Authority on the definition of its requirements is clear, either providing general guidance only, or sometimes setting specific requirements, contents and even formats to use.



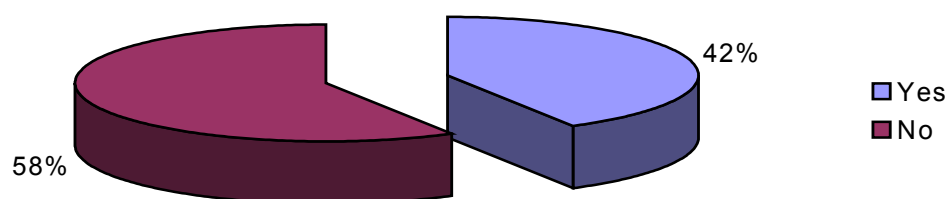
Who defines the requirements the Actuarial Report must fulfil?

- A) The Profession*
- B) The Law*
- C) The Supervising Authority*
- D) The Union of Insurance Companies*
- E) The Accountants*
- F) Other*
- G) None*

Although question No. 12 regarding the existence of any legislation applied to Actuaries in general was not intended to be a closed question, in more than 50% of the answers, the response indicates there is no legislation regarding Actuaries in general.

On the other hand, the next question was about the legislation in place regarding the Appointed Actuary Roles, and then the response is very clear: In 76% of the countries, there are clear legal requirements set for the Appointed Actuaries, and in most of the remainder 24%, it's clear that, if the requirements are not set by law, at least the Supervising Authority and/or the Profession do it.

In most countries, even if there is not a clear relationship between the Appointed Actuary and the Government, it seems to be clear that in case of problems the Appointed Actuary should contact eventually the Supervising Authority. Nonetheless, when directly questioned, only in 42% of the cases the answer was “Yes”.



Does the Appointed Actuary report in any way (in)directly to the Government?

Basically, the reporting requirements between the Appointed Actuary and the Supervisory Authority is the Actuarial Report, but in many cases, the countries only mention that the requirements are defined by law or by the Supervisory Authority. In general terms, we think the following might be a good representative of the average answer:

- Annual Insurance Return.
- Statutory reserving.
- Solvency
- Annual Product and Fund declaration (both current and new).

We received a wide variety of answers regarding the contents of the reports for the Supervisory Authority, but probably one of the most representative and concise answers came from Norway:

The report should include the following themes:

1. The development of the company
 - Premium income
 - Claims
 - Insurance in force
2. Insurance funds
3. Analysis of investment income
4. Analysis of risk development
5. Analysis of expenses

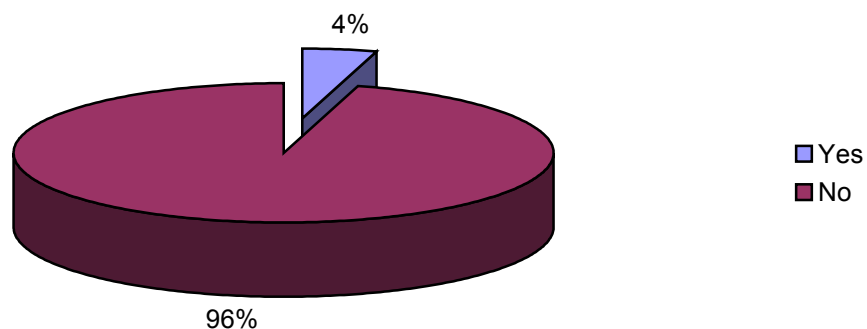
- Expense analysis
 - Distribution of expenses between lines of business
 - Expense reserves
6. Security margins in the premium tariffs
 7. Asset/liability matching
 8. Other analyses (EV etc.)
 9. Profit distribution
 10. Experience of non-profit contracts
 11. Reinsurance arrangements

In most cases, there are no other formal contacts between the Appointed Actuary and the Supervisory Authority, but it's clear that in many cases there is an important amount of communication to discuss developments of the companies, the insurance sector in general, and even to discuss future requirements or changes to the applicable laws.

Probably the only country where the Appointed Actuary actually reports to other Professional Bodies is Slovenia, although it is the same Slovenian Association of Actuaries.

The fact is that, if an Appointed Actuary becomes aware of an apparent breach of the Professional Conduct Standards caused by another Actuary, he or she must consult other Actuaries and try to reach agreement with them on actions to be taken to ensure that the non-compliance is rectified. In the case that such agreement is not feasible, the Actuary is obliged to report the breach of the Standards to the Arbitration Court of Honour organised within Slovenian Association of Actuaries, which shall deal with the matter and resolve it accordingly.

Therefore, when the countries were specifically asked: "Does the Appointed Actuary report in any way to (sections of) Professional Bodies?", in 96% of the cases, the answer was "No".



Does the Appointed Actuary report in any way to (sections of) Professional Bodies?

We found that often no formal systems for both Professional Guidance and Continuous Professional Development are in place, there are countries like Belgium, Cyprus, Portugal and Slovenia, where they expect to implement soon such systems (Cyprus already has a Professional Guidance System in place).

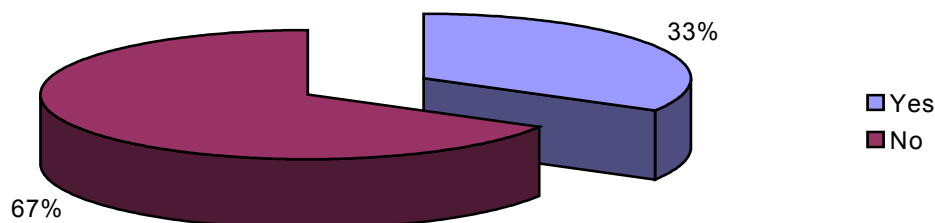
Others, like the Czech Republic, Finland, The Netherlands, Norway, Spain and Sweden, already have a Continuous Professional Development System, but its nature is not compulsory.

Among the countries with fully developed and in force systems we find The Channel Islands (following the UK), Germany, Ireland, Italy and The United Kingdom.

Again, when the question was related to additional requirements for the Appointed Actuary (in addition to being a qualified Actuary), it was common to find that in several countries there are no additional requirements. However, there is a wide range of additional qualifications. Some of the most common are: Experience, being certified by the Profession or the Supervisory Authority, Citizenship, passing special exams, having no criminal record or just being appointed by the board of the company.

In general terms, most countries coincide in stating that Actuaries are liable to their statements and/or actions, just like any other professional.

To our knowledge, in only 33% of the countries insurance agreements are available to protect Actuaries from their eventual professional liabilities (this is only considering the countries that effectively provided a specific answer to this question).

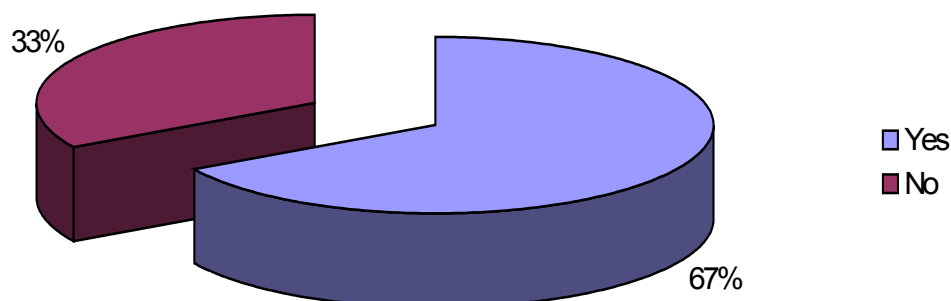


Are there any insurance agreements available to protect the Appointed Actuary's Professional Liabilities?

Probably the only country where the relationship between the Certified Accountant and the Appointed Actuary is well defined and where a formal agreement between the Accountants and Actuaries Professional Bodies is in force is The Netherlands.

In Ireland, there is a professional guidance note governing the relationship between the Appointed Actuary and the Auditor with regard to production and certification of the financial statements, and in Norway the Actuarial Principles for the Accounting of Pension Costs have been discussed with the accountants' professional body.

Finally, the last question was related to the Appointed Actuary role towards Public Interest. Although at least indirectly the Appointed Actuary does have a responsibility in this sense, only 67% of the answers were affirmative.



Does the Appointed Actuary play a role, directly or indirectly towards the Public Interest?

3. Conclusion

As an introduction to the conclusions we would like to express our thanks to every association for responding to our questionnaire. Through this the Groupe is now able to publish a representative report once more showing the good and close cooperation between the member associations.

Although all the answers on the questions, at a first glance, show a lot of similarity, we still see opportunities for the Groupe Consultatif to actively try to promote more consistency. This especially seems to be relevant for the next items:

- No real definition with respect to the contents of the Actuarial report
- No formal systems in place for Professional Guidance
- No formal systems in place for Continuous Professional Development
- Relationship between the Appointed Actuary and the Certified Accountant not defined

The fact that actuaries, in general, not seem to be involved in product design and development came to us as a surprise. But that could be something for another survey.

Appendix 1.

Survey in Professionalism

Life / Non-Life / Health Survey Groupe Consultatif

Insurance Committee

COUNTRY:

SURVEY COMPLETED BY:

E-MAIL ADDRESS:

If appropriate fill out this survey for Life Insurance, Non-Life Insurance and Health Insurance

Definitions

Is the profession of Actuary in your country defined

- · by Law
- · by the Supervisory Authority
- · by the profession
- · by others

If yes, please give that definition

Is the role of Appointed Actuary in your country defined

- · by Law
- · by the Supervisory Authority
- · by the profession
- · by others

If yes, please give that definition.

What is the official name for Appointed Actuary in your country language(s)?

Statutory Roles

Please state the statutory roles that can only be fulfilled by an actuary?

If any, what are the agreements (contracts) with

- · the Profession
- · the Government
- · the Supervisory Authority
- · the Union of Insurance Companies
- · the Accountants
- · other

To whom or to what body does the Appointed Actuary reports?

Actuarial Report

What statement(s) re statutory reserving is(are) signed by the Appointed Actuary?

Who or what body may receive a copy of the Actuarial Report?

What are the requirements for an Actuarial Report?

Government

What legislation is in place regarding actuaries in general?

What legislation is in place regarding Appointed Actuary roles?

Does the Appointed Actuary reports in any way (in)directly to the Government?

Supervisory Authority

What reporting requirements are in place between the Appointed Actuary and the Supervisory Authority?

What are the contents and formats of those reports?

What other (formal) contacts, if any, exist between the Appointed Actuary and the Supervisory Authority?

Professional Body/Bodies

Does the Appointed Actuary reports in any way (in)directly to (sections of) Professional Bodies? If so, please state the nature and contents of those reports.

What system for Professional Guidance is in place?
Please give an overview.

What system for Continuous Professional Development is in place?
Please give an overview.

What are the requirements to be an Appointed Actuary, extra to being an qualified actuary?

To what extent are Appointed Actuaries liable to their statements and/or actions? Are any limits in this respect applied? Are insurance arrangements available?

Accountants

In what way is the relationship defined between the Certified Accountant and the Appointed Actuary?

Do any agreements exist between the accountants and actuaries Professional Bodies?

Public Interest

Does the Appointed Actuary play a role, directly or indirectly, towards the Public Interest?

Other

Please state any other information, agreements, customs or whatsoever, that you feel to be important for this survey.

17 April 2001.

Appendix 2.

We received the contributions from the following 27 member associations:

- Austria:
Aktuarvereinigung Osterreichs.
- Belgium:
Association Royale des Actuairees Belges
Koninklijke Vereniging van Belgische Aktuarissen
- The Channel Islands:
Channel Islands Actuarial Society
- Croatia:
Hvratsko Aktuarsko Drustvo
- Cyprus:
Cyprus Association of Actuaries
- The Czech Republic:
Czech Society of Actuaries
- Denmark:
Den Danske Aktuarforening
- Estonia:
Estonian Actuarial Society
- Finland:
Suomen Aktuaariyhdistys
- France:
Association des Actuairees Diplômés de l'ISFA
Institut des Actuairees Français
Union Strasbourgeoise des Actuairees
- Germany:
Deutsche Aktuarvereinigung
- Greece:
Hellenic Actuarial Society
- Hungary:
Hungarian Actuarial Society
- Iceland:
Felag Islenskra Tryggingast Aerdfraedinga
- Ireland:
Society of Actuaries in Ireland
- Italy:
Istituto Italiano degli Attuari
Consiglio Italiano degli Attuari
- Latvia:
Latvijas Aaktuāru Asociācija
- Lithuania:
Lithuanian Actuarial Society
- Luxembourg:
Association Luxembourgeoise des Actuairees

- The Netherlands:
Het Actuarieel Genootschap
- Norway:
Den Norske Aktuarforening
- Portugal:
Instituto dos Actuários Portugueses
- Slovenia:
Slovensko Aktuarsko Društvo
- Spain:
Instituto de Actuários Españoles
Col.legi d'Actuaris de Catalunya
- Sweden:
Svenska Aktuarieföreningen
- Switzerland:
Association Suisse des Actuaire
- The United Kingdom:
Faculty of Actuaries
Institute of Actuaries