

e-Newsletter – November 2008

This e-Newsletter provides a summary of the discussions at the Annual Meeting in Zurich at the end of September, and the associated Autumn meetings of the Groupe's committees. Full details of these meetings are available on the appropriate section of the [members-only page](#).

The Groupe's 31st Annual Meeting was very well organised by the Swiss Actuarial Association, attracting a large number of delegates and partners. As well as a full business agenda, described in the following paragraphs, there was an interesting and varied social programme hosted by the SAV/ASA including a cruise on the Zürichsee and the Gala Dinner in a historic *Zunft* (guild hall). In addition, there were lively and well-attended presentations on aspects of Enterprise Risk Management by Fred Rowley (Institute of Actuaries of Australia) and Keith Bevan (Standard and Poor's).

The presentations by Fred Rowley described the development within the President's Forum of the IAA of proposals to establish a global ERM qualification. This is an area of interest to several of the Groupe's committees, who discussed the proposals in some detail and raised a number of concerns. The General Assembly agreed to give the Officers a mandate to enter into discussions with Fred Rowley's team and to address issues such as

- positioning of the proposed ERM qualification in relation to the positioning of the current actuarial qualification
- mutual recognition issues
- matters relating to a proposed Treaty
- implications for the Core Syllabus

It should be stressed that any decision to sign up to the proposed treaty or not remains at individual association level. Full details of Fred Rowley's presentations and the subsequent discussions can be found in the minutes of the appropriate committees on the [members-only page](#).

The Groupe's financial position at the end of 2007 was healthy, despite a small deficit for the year. This deficit was largely attributable to a substantial currency exchange loss which was incurred as a result of the relentless rise in the value of the Euro against Sterling during the year. However, with an accumulated reserve equivalent to more than one year's expenditure, it was agreed that the annual fee should remain at Euros 16 for 2010.

Freedoms and General Purposes (now Freedoms and Professionalism)

Following changes in the Committee's Terms of Reference which have been reported in previous Newsletters, a number of minor consequential changes to the Groupe's Statutes were approved by the General Assembly. Probably the most immediately visible of these is the change in the Committee's name from "Freedoms and General Purposes" to "Freedoms and Professionalism".

A preliminary report on a survey of supply and demand for actuaries, based on an incomplete response from member associations, indicates that the profession has grown over the past five years and will continue to grow. There are challenges ahead for the profession, but the survey provided evidence to present to the European Commission and CEIOPS that it can meet the expected increase in demand. Member associations have been asked to submit outstanding responses within 4 weeks.

The Committee approved responses to the discussion papers by UK's Board for Actuarial Standards (BAS) on Actuarial Quality, and Monitoring and Scrutiny of actuarial work.

A preliminary report on the survey on implementation of the MRA indicated that the Agreement is largely working well, with only a few minor local issues to be addressed. The Committee will finalise the survey and prepare any recommendations for amendments to the MRA and the Heubeck letter.

The Committee has requested action plans from the other committees, defining aspirations and their organisational consequences, and identifying the required resources with a view, ultimately, to preparing a full business plan for the Groupe. It is proposed to have a draft business plan at the Spring 2009 meeting, and to seek final approval at the Annual Meeting in September 2009. The Officers have agreed to progress this project, with assistance from two other members of the Committee (Thomas Béhar and Gabor Hanak).

Thomas Béhar gave a short presentation on the current relationship between the Groupe and the IAA, and where he saw opportunities for improving this relationship to the benefit of the Groupe and, in particular, the member associations. There was considerable support for the points which Thomas made, in particular –

- It is desirable to reduce resource demands on individual associations, particularly smaller ones which find it difficult to send representatives to IAA meetings;
- Represent the common view where possible, or be aware of the range of views: this would require preparation in advance, and finding time to do so in an already busy schedule of Groupe meetings;
- The value of a strong European voice on IAA key issues;
- The importance of providing added value for member associations.

It was agreed that Officers will consider how best to take this matter forward.

The procedure adopted for nomination of Second Vice-Chairman will be used for the appointment of all Officers. The possibility of changing from a “succession” of Second Vice-Chairman, First Vice-Chairman and Chairman to Vice-Chairman, Chairman and Past Chairman (the IAA’s practice) was noted: this will be the subject of further consideration and proposals at the next meeting.

The Committee noted the request from the IAA, circulated earlier in the year, that national actuarial associations write to their governments regarding recognition of actuarial services. Members were encouraged to ask their associations to do so, following a positive response received by the Society of Actuaries in Ireland. It was agreed that an approach would also be made to the European Commission.

The Society of Actuaries of Ukraine was admitted as a new Observer Member of the Groupe.

Since no other European actuarial association would be bidding to host the IAA Congress in 2018, the Committee agreed that the Groupe should write to the IAA in support of an offer by the Deutsche Aktuarvereinigung (DAV).

Insurance

The Solvency II project continues to dominate the work of the Committee. The Chairman emphasised the status of the Groupe as a key stakeholder, held in high regard by the European Commission and CEIOPS, and he expressed his thanks on behalf of the Groupe to the project team and all the volunteers from the member associations.

Of particular interest was the request from CEIOPS to extend the project through the establishment of coordination groups with CEIOPS to address specific issues. The Committee approved this proposal, subject to appropriate governance arrangements. It was noted that this development would create new challenges and opportunities which would require more involvement by member associations, particularly at local level, and the importance of careful management by the project team and cooperation with national associations was stressed.

Key aspects on which the project team are currently active include:

- Papers on best estimate reserving and professional judgement
- Clarification of the actuarial function
- Development of the solvency report

The Committee considered a presentation by Norbert Heinen on issues relating to harmonisation of the regulatory framework for investment fund guarantees, and expressed concern that this development could become a problem in other jurisdictions through regulatory arbitrage. It was agreed to bring this matter to the attention of the European Commission at the next meeting with them.

The Committee noted a preliminary report on the extended and updated survey of Gender Differentiation in insurance, which included information on implementation of the Gender Directive. It is hoped to have more complete data for a presentation to the UK Life Convention in November: all members who had not yet responded were asked to do so by mid-October. It was agreed that the final report should receive wide circulation: the results are eagerly awaited by the European Commission.

The DAV have expressed concern over actuarial implications in the European Commission's proposal for a Directive on Equality, and the Committee considered their request that the Groupe support this and issue a general position statement. It was agreed that it was important to ensure that any statement which the Groupe issues on this subject is well-supported by evidence and is entirely objective. In the first instance, therefore, Ulrich Orbanz and Jim Murphy agreed to draft a wider paper for comments by the Committee at the next meeting. It was also agreed to raise this matter with the European Commission at the next meeting with them.

Pensions

After a review by CEIOPS of key aspects of the implementation of the IORP Directive, the Committee had expected an extensive consultation by the European Commission on the application of solvency principles to IORPs. In fact, as a result of the political debate, the Commission's consultation was limited to plans which came under Article 17 of the Directive and cross border issues.

The Committee agreed to respond to the CEIOPS Consultative Document, sticking to higher principles and avoiding making comments of a political nature or on which it did not have a definite opinion or consensus and to continue with its work on the basis that there will be a broader consultation in due course.

It was agreed to establish a Working Party on Solvency for Pensions to develop a risk management and solvency framework for IORPS.

It was noted that the joint Pensions / IFR working group on defined contribution schemes will focus on issues related to the decumulation stage, which it is considered have received least attention and development. An initial draft report will be available for the Committee's meeting in Spring 2009.

The Committee noted details of the Mortality Task Force established by the IAA, on which there are a number of representatives from Europe. The Committee is developing a paper on the use of mortality tables.

Investment and Financial Risk

The Committee considers that liquidity risk is not adequately addressed in current discussions by the Commission and CEIOPS: this issue will be raised with the chairman of the Insurance Committee and the Solvency project manager. It was suggested that, based on experience with the Solvency II project, the Groupe could make a useful contribution to the review of Basel II.

In addition to the open presentations on developments in Enterprise Risk Management (ERM) given by Fred Rowley and Keith Bevan, the Committee also heard more detailed technical presentations from Per Linnemann and Seamus Creedon. The Chairman was encouraged by

the support for the Committee to undertake more work in ERM, which will form part of the Committee's input to the Groupe's strategic planning.

Ken Forman gave a report on the joint IFR / Pensions survey of defined contribution schemes: he described the decumulation process within Europe and summarised the main risks:

- Investment return risk
- Inflation
- Longevity

The Committee discussed the current crisis in the credit and capital markets, and identified a number of key issues and questions, at least some of which might be worth further discussion at the next meeting:

- the effects and consequences of the credit crisis on the actuarial profession;
- liquidity risks;
- assumption setting;
- the effect of ERM on markets – would this be positive;
- the effects on the banking sector;
- actuarial analysis of why companies fail;
- more leverage leads to higher expected results;
- the penalties resulting from asymmetric risks;
- the effects on Basel II to come under scrutiny, including how it might be influenced by Solvency II;
- how can the IFR Committee assist the banking sector – e.g. by establishing contact with ECOFIN;
- further regulation can be expected, perhaps leading to simplification of regulation – will this be helpful?
- the committee should consider influencing the IASB by producing a paper on market consistency;
- Many insurance companies are owned by major banks and the problems experienced currently by the banking sector are affecting the insurance sector.

Education

The Committee has embarked upon a review of the Core Syllabus. Since the interpretation of "core" differs from country to country, the review will start with an inventory of the current situation across Europe. For the future, the Committee had identified the need to devise an assessment procedure to measure the standard of actuarial education programmes across Europe.

A revised Continuing Professional Development (CPD) strategy document prepared by the Committee and its CPD Working Party was approved by the General Assembly. The document, which tries to reflect the importance of CPD, the need for all actuaries to feel responsible for undertaking CPD, and the range of CPD practices and requirements amongst the member associations, is available on the [Education and CPD page](#) of the web site.

The Committee has accepted invitations from:

- Aktuarvereinigung Österreichs to host the Colloquium in Vienna in 2009, with assistance from the EAA;
- Actuarieel Genootschap to host a Summer School in the Netherlands in 2009, and from the Hellenic Actuarial Society to host a Summer School in Greece in 2010.

In addition, there will be a joint IAA / Groupe Consultatif Education Seminar in Tallinn in Spring 2009.

Following the presentation by Fred Rowley on the proposal to establish a global ERM qualification, the Committee will be looking at the content of an educational programme for actuaries as risk managers.

New Groupe Chairman and Committee Chairmen

The Annual Meeting marked the end of Ad Kok's (Netherlands) term of office as Chairman of the Groupe. Ad is succeeded as Chairman of the Groupe by Peter Prieler (Austria). Bruce Maxwell (Ireland) becomes First Vice-Chairman, and Chris Daykin (UK - Institute) was elected as Second Vice-Chairman.

Philip Shier (Ireland) and Falco Valkenburg (Netherlands) were re-appointed chairmen of the Pensions and IFR Committees respectively, for a second three-year term. Alf Guldberg (Sweden) was re-appointed Honorary Treasurer for one further year.

Retirement of Deborah Rose

Deborah Rose, who has been the Assistant to the Groupe Secretary for some 15 years, retires at the end of November. The Chairman paid tribute to her professional, loyal and friendly service to the Groupe. Deborah's successor, Alison Shoesmith, was introduced to the Groupe.

Looking forward

There will be one of the Groupe's regular bilateral meeting with the Commission's Internal Market DG Insurance Unit in Brussels on 2 December, at which a number of issues reported above will be discussed. In addition, it is planned that there should be further regular high-level meetings with the Managing Board of CEIOPS.

The Spring meetings of the Groupe's committees will be held as follows –

- Freedoms, Insurance, Pensions and IFR – 26/27 March (Budapest)
- Education – 3 April (Lisbon)