

e-Newsletter – November 2003

It was the intention to have this latest e-Newsletter available a little earlier – in October – to coincide with the Groupe's 25th Anniversary. However, this hope was frustrated by the backlog of work following the Annual Meeting, a second visit to Athens in October to meet the EU Supervisors, a bilateral meeting with Internal Market DG on 3 November and deadlines for submissions to the European Commission.

The Annual Meeting in Athens on 3 October marked the Groupe's Silver Jubilee and was an occasion for modest celebration. John Henty, the Groupe's Secretary from its establishment in 1978 until his retirement in 2001, presented the 25 year history which he had been commissioned to write. This publication was very well received, and John was much in demand to sign copies for Groupe members. Copies of the book are being widely distributed to all current and active past members, to member associations and other European and international organisations with which the Groupe has links. Any member who has not received a copy and who wishes to do so should contact the Secretary, Michael Lucas at mlucas@gactuaries.org

Maria da Luz Fialho succeeded Norbert Heinen as Chairman of the Groupe, Paul Grace becomes First Vice-Chairman, and Costa Koutsopoulos was elected as Second Vice-Chairman.

The agendas for the Annual Meeting and for the associated Committee meetings are available on the [members-only](#) page. The full minutes of these meetings will also be uploaded to this page as soon as possible.

Also on the members-only page, attention is drawn to the creation of e-mail list-servers corresponding to each of the Committee areas. These list-servers are intended to facilitate the discussion of topical issues amongst interested members. If you want to join one or more of these lists, please visit the members-only page and select the appropriate choice(s). Further lists can be added specifically for key topics as the need arises.

The following paragraphs provide a summary of the main issues from the recent round of meetings in Athens, and the principal areas in which the Groupe is currently involved.

Freedoms & General Purposes

A comprehensive analysis of the responses to the questionnaire on implementation of the Mutual Recognition Agreement showed that, in general terms, the Agreement appears to be working well in practice, with only a few local issues which are best resolved locally between the associations involved. It is of some concern, however, that the European Commission's Regulated Professions Unit considers the Agreement to be "... neither in conformity with the rules currently in place, nor with the proposed new Directive on professional recognition". It appears that the Regulated Professions Unit does not recognise that the Mutual Recognition Agreement allows an actuary to gain professional recognition in another EU Member State on terms at least as favourable as required by the current Directive. The Groupe will be seeking to resolve this misunderstanding through a meeting with the Regulated Professions Unit. Once this issue has been cleared up, a small group will prepare recommendations on whether and how the Mutual Recognition Agreement should be amended.

The political map of Europe will change significantly next year with the accession of ten new Member States to the EU. This will have an effect on the Groupe Consultatif, with several Associate Member associations becoming eligible for Full Member status. There are two accession countries whose actuarial associations are not currently members of the Groupe (Poland, Slovakia), and the Groupe will be encouraging these associations to apply for

membership; indeed, the Slovakian Actuarial Society has already expressed interest in joining. In addition, following a presentation recently by the Groupe to a visiting delegation from Russia, the Guild of Actuaries in Russia have expressed an interest in joining the Groupe; the Russian representatives were impressed by the Groupe's 'track record' with the European Commission.

Also on the question of membership status, the Associate Member associations from Switzerland, Norway and Iceland have asked the Groupe to consider revising the Statutes to allow them to become Full Members (currently open only to Member States of the EU). Such a change could affect the Groupe's standing in relation to the European Commission, and the Officers will consider this request.

The last e-Newsletter reported that the Groupe expected to contribute a presentation to the Conference of EU Supervisors at their meeting in October – coincidentally also in Athens, only two weeks after the Groupe's Annual Meeting there. This opportunity was very timely, not only in being able to address the Supervisors directly on current technical issues, but also to emphasise the Groupe's credentials to the Supervisors in their new structure – the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). CEIOPS will have a more powerful role in relation to the European Commission, particularly in Solvency II (see below), and it is critical that the Groupe should establish a good working relationship with this new body. The Groupe's presentation to CEIOPS covered: Solvency II, risk management practices, independence of the actuary, and financial reporting.

Insurance

Bruce Maxwell, (Ireland) who has chaired the Insurance Committee with great energy and enthusiasm for the last three years, stood down and has been succeeded as Chairman by Bart De Smet (Belgium).

The three main areas on which the Committee continues to focus are: Solvency II, Reinsurance Supervision, and Financial Reporting. The current position with regard to Solvency II is set out in detail in the European Commission's discussion paper MARKT/2539/03 – Solvency II: Reflections on the general outline of a framework directive and mandates for further technical work, and the Groupe's response to this document – both of which are available on the [members-only page](#). In broad terms, the first phase of the Solvency II project has ended, and the second phase is about to begin, with work being developed through technical groups established by CEIOPS. The Insurance Committee is creating its own project team structure to mirror these technical groups, with the expectation that comments, proposals and advice can be presented, both proactively and reactively, through CEIOPS' 'market practitioners' group. The Groupe's presentation to CEIOPS on Solvency II included the project team structure. It is expected that this will be an area of intense activity for the Committee in the coming months.

On Reinsurance, the Groupe will shortly be submitting its full comments on the Commission's consultation paper, MARKT/2523/03 – Fast-track reinsurance supervision project – tentative staff recommendations for quantitative parameters and related issues. The text of this paper and the Groupe's preliminary response are available on the [members-only page](#).

The focus of the debate on Financial Reporting has been the IASB's Exposure Draft ED5 on Insurance Contracts. Although the Groupe has not addressed comments on ED5 directly to IASB, it has contributed significantly to the response submitted by EFRAG (the European Financial Reporting Advisory Group), available from www.efrag.org. The Insurance Committee was particularly concerned about -

- Timescales
- Equalisation reserves
- Disclosure
- Asset/liability mismatching
- Inconsistency in the treatment of disclosure of fair values of assets and liabilities from 2006
- The definition of an insurance contract, and what constitutes a (significant) mortality risk

Pensions

Following the adoption of the Pensions Directive in September 2003, EU Member States have two years to transpose this into national legislation. Thereafter, there will be a two-year review period during which the Commission will monitor and evaluate effects, trends and any market distortion revealed by implementation of the Directive. The Pensions Committee will be undertaking a survey of interest rates to assist the Commission; initially this survey will cover only the current 15 EU Members States, but can be extended in the future.

A new survey on Taxation of Occupational Pension Schemes is nearing completion, and will be available on the Web site shortly. Infringements in taxation are increasingly being tackled by the European Commission.

Updates have been made, or are being made, to several of the Committee's other surveys which are well-established on the [publications](#) page. Particular attention is drawn to –

- Professional responsibilities of pensions actuaries, which is being extended to include a question on the relationship between the actuary and the supervisor in the management of pension funds
- Solvency standards for occupational pension schemes, which has evolved into Security of Pension Rights and Expectations
- Defined Contribution arrangements in Europe
- Pensions Aspects of Corporate Transactions

Users should take care to ensure that they refer to the most up-to-date editions of these surveys.

Investment & Financial Risk

The IFR Committee has decided to consolidate the two surveys which it has been developing on the yield curve and asset/liability mismatching, since they will have the same target response group. It is hoped that the combined survey will be circulated to financial institutions by the end of the year. The subject of this survey provided one of the topics for the recent presentation to CEIOPS.

As part of an initiative to promote the role of the actuary in banking/investment, the Committee has proposed the addition of appropriate material in the Core Syllabus, and the development of colloquia on relevant investment topics.

Education

Further amendments are being made to the Core Syllabus, in particular to include a distinct topic in Finance and Investment. The Core Syllabus is now quite substantial and steps are being taken to reduce its size by identifying which areas require only a broad understanding and which require more in-depth study.

The Education Committee has drawn up a draft Continuing Professional Development (CPD) strategy. Once this document has been finalised, it will be circulated to member associations and made available on the Web site. It is also planned to establish a database of CPD activities and materials on the Web site.

A survey of actuarial education and qualifications is almost complete: the results will be made available on the Web site in due course.

Details of the joint Groupe/IAA education seminar on "Educating actuaries with a business orientation", to be held in Berlin on 26/27 November 2003, are available [here](#).

Colloquia and Summer Schools

Details of the 17th Colloquium, to be held in Munich, Germany, on 10 September 2004 will be published on the Web site as soon as possible. The provision title is "Providing long-term care for the suffering insurance industry".

A Summer School on Pensions is scheduled for Vilnius, Lithuania next year: provisional dates are 2-6 August 2004. In 2005 there will be a Summer School in Trieste, Italy on "Mortality trends and longevity risk": provisional date – the second half of July. More details on these Summer Schools will be publicised as soon as possible.