

e-Newsletter – May 2004

This edition of the e-Newsletter provides a summary of the main issues considered by the Groupe's technical committees at their spring meetings over the past few weeks. The full minutes of these committee meetings are, or will shortly appear, on the members-only page.

It is worth mentioning the success of the "back-to-back" meetings of the Insurance and Freedoms Committees in Tallinn. This was the first time that the Groupe has held meetings in Estonia and, by holding the two meetings on consecutive days – a format introduced in Dublin last year, the numbers attending the meetings were particularly gratifying. The Estonian Actuarial Society also took the opportunity, with the Groupe's assistance, to organise a seminar on Solvency II, and Fraser Low (Faculty of Actuaries) provided a short Professionalism course. Both the seminar and the course were well-attended by actuaries from Estonia and the other Baltic states. All in all, a very busy three days in Tallinn!!

Freedoms & General Purposes

The Chairman of the Freedoms Committee (Ad Kok) and the Groupe Secretary met representatives of the European Commission's Regulated Professions Unit earlier in the year to resolve apparent misunderstandings over the Groupe's Mutual Recognition Agreement (MRA) and the current EU Directive on professional recognition. The main points at issue were the adaptation period, and the requirement for a "visiting" actuary to join the host association of another EU member state in which he/she is working. The Groupe's current MRA will require some modest re-drafting, and the small working party set up at the previous meeting of the Freedoms Committee will prepare the necessary amendments, and consequential revisions to the Heubeck letter. It is unclear at the moment what, if any, effect there may be on the MRA when the new draft Directive on professional is adopted.

The admission of ten new member states to the EU on 1 May has opened up eligibility for Full Member status of the Groupe Consultatif to actuarial associations in the accession countries. Amongst existing Associate and Observer members, applications for Full Membership have been received from Cyprus, Czech Republic, Estonia, Latvia, Hungary and Slovenia, and these will be recommended for acceptance by the Groupe at its annual meeting in October. The Lithuanian Actuarial Association is reviewing its organisation and structure before submitting an application. The Slovak Society of Actuaries, which is not a member of the Groupe, expects to submit an application later in the year. We await a response from the Polish Actuarial Society.

The requests for Full Member status from the Associate Member associations in Switzerland, Norway and Iceland were considered sympathetically by the Freedoms Committee. These three countries are seen as long-standing members of the wider European community, and it is felt that their actuarial associations should enjoy Full Member status of the Groupe provided this does not compromise the Groupe's role and relationship with the Commission and other institutions of the EU. The Freedoms Committee agreed that Switzerland, Norway and Iceland should be accepted as Full Members, and be able to serve as Officers of the Groupe, as long as at least one of the Groupe Chairman/Vice-Chairmen is from an EU member state and that the Groupe is always officially represented to EU organisations by an EU member. Such a change will require amendments to the Groupe's Statutes. The Swiss, Norwegian and Icelandic associations recognise that it would not be appropriate for them to vote on any EU issues, and that it will be necessary to retain a distinction in voting rights in the Statutes. It is uncertain whether EU legislation will permit the same membership category to apply to members who have different voting rights, and legal advice is being sought on this question. If necessary the membership categories could be redefined as Full Member and Full EU Member.

Following a presentation by Jean Berthon to the Groupe at its annual meeting in Athens, on the subject of the future European organisation of the actuarial profession to meet the challenges facing it, a small working party has been set up to review the Groupe's organisation, structure and objectives. The working party will focus on four main areas: budget, education, management structure, and the role of the national associations. An interim report is expected in the autumn, with a full report in 2005.

Insurance

The Insurance Committee had a very full agenda for its meeting in Tallinn. The main topics, which have preoccupied the Committee (and will continue to do so) for some time are: Financial Reporting and Solvency II. The focus of concern in relation to financial reporting is whether the actuarial profession should support or reject the proposed new standard (IFRS4) on Insurance Contracts and IAS39 on Investment Contracts. In the light of criticisms of the initial exposure draft (ED5) for IFRS4, the IASB made a number of amendments, in particular to the reinsurance proposals. However, there remain significant concerns about the requirement in IAS39 for the current surrender value to be the minimum liability (the deposit floor), and also about the inconsistent treatment of assets and liabilities in the proposed standards. There was extensive discussion of this topic, and a full account can be found in the Minutes of the Insurance Committee on the members-only page.

The Solvency II project already has considerable momentum, particularly now that the Groupe has established five specialist working groups to progress the technical issues where it can provide expert professional advice to the European Commission and CEIOPS. These groups are –

Pillar I life
Pillar I non-life
Pillar II
Pillar III/Accounting
Cross-sectoral/conglomerates

and we are pleased to have so many volunteers for these groups. They have made a significant contribution to the Groupe's response to the consultation paper MARKT/2543/03, on which it recently gave an invited presentation to the Commission's Solvency subcommittee in Brussels. (Both the consultation paper and the Groupe's response are available on the members-only page). A full description of the Solvency II project team structure is included as an annex to the Insurance Committee minutes on the members-only page.

The Tallinn meeting also devoted a significant amount of discussion to the issue of Gender discrimination in insurance. There has been increasing debate on this topic as it has gathered political momentum and a draft Directive to eliminate gender discrimination has been developed, and the Groupe has been under some pressure, particularly from the CEA, to make a statement on behalf of the European actuarial profession opposing the draft Directive. Although Internal Market DG initially opposed the proposal, recognising that there are a number of established statistical and actuarial criteria for *differentiation*, the Commission's ultimate support for the proposal has been dictated by Employment & Social Affairs DG. Although the CEA and some national actuarial associations oppose the Directive, there is also clear evidence that 'unisex' tariffs are already successfully applied in a number of areas. Since one of the Groupe's strengths is its consensus approach, it has been concluded that we should not seek to issue a compromise statement by the European actuarial profession.

Pensions

New surveys have recently been undertaken on financial assumptions used in valuing occupational pensions liabilities, and on taxation of occupational pension schemes. The latter has attracted the attention of OECD and the European Commission's Financial Services Action Plan review group. These surveys are (or will shortly be) available on the publications page, along with a number of other established surveys which have recently been updated. These include

- a Glossary of Actuarial (Pensions) Terminology in 12 languages
- Professional responsibilities of Pensions actuaries
- Security of pensions rights
- Defined Contribution arrangements in Europe

The Groupe will be participating in a mortality research project which is being undertaken by City University, London, and partly sponsored by the UK Actuarial Profession; the Groupe's involvement will be to assist with identification and interpretation of appropriate mortality tables.

A statement of guidelines on implementation of the 'prudent person principle', in particular in relation to pension fund investment and liabilities has been prepared. The Groupe was invited to present these guidelines to OECD, who have expressed interest in the material as a useful addition to their own work in this area.

Investment & Financial Risk

Work to prepare a major survey on Yield Curves and Asset-Liability mismatching is virtually complete, and it is hoped to start this survey during the summer.

There have been extensive discussions about developing the role and education of actuaries in investment and banking.

Education

A review of the Groupe's core syllabus has been completed and a number of amendments made: the revised version is available on the publications page. A statement of the Groupe's Continuing Professional Development (CPD) strategy has been published and is also available on the publications page. An online database of CPD activities and materials is under development.

The joint Groupe Consultatif/IAA education conference in Berlin on 26/27 November 2003: "Educating actuaries with a business orientation" was very successful. The presentations and notes from the conference are available on the Groupe events page (Archives).

Colloquium and Summer School

The programme for the 17th Colloquium, to be held in Munich on 10 September, will be available shortly.

The full programme and registration details for the Summer School on Pensions which will be held in Vilnius, Lithuania, from 2 – 6 August 2004 are available here.