

The Groupe's 27th Annual Meeting, and its associated Committee meetings, were held in Manchester on 7/8 October, hosted by the Institute of Actuaries. First-class meeting facilities were provided by CIS Insurance; for those with time to admire the view, the 24th floor boardroom suite gave a wonderful panorama over the city and the surrounding countryside. The weather, for which Manchester is often (unfairly) criticised, was kind to us, and the autumn sunshine was ideal for the social and cultural activities. Some delegates found themselves rubbing shoulders with members of the England international football team who were using the same hotel before a World Cup match - a match enjoyed by at least one delegate: IAA President, Luis Huerta, who also attended the Annual Meeting.

The following paragraphs summarise the main issues which were discussed during the two days of meetings. The full minutes of these committee meetings are, or will shortly appear, on the [members-only page](#).

### **Freedoms & General Purposes**

A revised Mutual Recognition Agreement and "Heubeck" letter (the latter provides guidelines on application of the Agreement) were approved and will be circulated shortly to associations for signature. The amendments which have been made address some inconsistencies with current EU legislation and the problem that the original Agreement had presented difficulties in enforcement for the UK Actuarial Profession.

With the enlargement of the EU in May, a number of the Groupe's Associate and Observer Members became eligible for Full Member status. We welcome associations from the following countries as Full Members of the Groupe Consultatif: Cyprus, Czech Republic, Estonia, Hungary, Latvia and Slovenia. In addition, the Polish Society of Actuaries, not previously a member of the Groupe, has been accepted as a Full Member, and we expect to receive similar applications shortly from Lithuania (Observer) and Slovakia (not currently a member).

At the Annual Meeting in Athens last year, the associations from Switzerland, Norway and Iceland requested that the Groupe review the need to retain a distinction between Full Member and Associate Member status. At present, associations from non-EU countries can only be Associate Members of the Groupe, even though in all other respects they meet the same professional criteria as Full Members. After taking legal advice, it has been agreed in principle to revise the Groupe's Statutes to re-define the criteria for Full Member status, and to discontinue Associate Member status. Once the amended Statutes are approved, the Swiss, Norwegian and Icelandic associations will become Full Members, with certain limitations on their voting rights in relation to EU issues. The amendments to the Statutes require a formal exposure period of three months for comment.

The task-force set up to take forward a review of the Groupe's organisation and structure has prepared a summary of the Groupe's strengths, weaknesses, opportunities and threats (a SWOT analysis). However, progress has been limited and the Freedoms and General Purposes Committee has suggested that the task-force needs to establish clear objectives, terms of reference and a plan of action, for report back in Spring 2005.

It will not be possible this year for CEIOPS to offer the Groupe an opportunity to provide a presentation to the Supervisors at their annual meeting, as was done in 2002 and 2003 for the former Conference of Supervisors. Instead the Officers have been invited to meet the CEIOPS Secretary-General and secretariat to discuss issues of mutual interest. Topics identified for this discussion (on 17 November) include -

- background to the Groupe;

- Pensions Directive and its implementation;
- Pensions surveys and guidelines;
- Solvency II;
- independence of the actuary;
- ALM/Yield Curve survey.

Although close and direct links have been established with the Supervisors themselves (rather than the CEIOPS secretariat) through the Solvency II project, it was agreed that every effort should be made to re-establish a presentation at their annual plenary meeting.

The advent of the Morris Review of the UK Actuarial Profession, and likely legislative changes in the Netherlands concerning the role of the actuary, focused attention on issues surrounding the independence of the actuary. It is proposed to hold a one-day conference on this topic in the Spring, after publication of the interim Morris Report. Details of this conference will be published on the website in due course, and circulated to representatives of associations.

## Insurance

The Solvency II project team, which was established a year ago to provide input to the European Commission and CEIOPS, has made significant progress, and a dedicated [Solvency II web page](#), [Newsletter](#) and [discussion forum](#) have been created as a focus for the project team's activities. The second edition of the Newsletter is expected to be published in December, and will discuss the latest developments in detail. The five working groups (see last e-Newsletter) have provided the Groupe's extensive responses to the European Commission's consultation papers on the organisation of the Solvency II project, and the working groups are already looking in detail at some of the technical issues which will have to be addressed by CEIOPS. Several of these issues are also relevant to the other Committees of the Groupe (Pensions and Investment and Financial Risk in particular), and Rolf Stölting, the Solvency II project manager, will be liaising with these Committees.

Financial reporting issues relating to IAS39 and IFRS4 continue to concern the Insurance Committee. The Committee submitted a statement to EFRAG giving conditional support to the endorsement of IAS39/IFRS4 as the "least bad" option as an interim measure, and subject to Phase 2 following within a reasonable time-frame. The IASB is now in discussion with auditors and industry groups such as CEA and the CFO Forum in Europe to clarify issues and develop concepts. There are various initiatives which the Committee is considering, particularly in the context of the Solvency II project, including -

- reviewing IASPs from a European perspective;
- surveying participating features;
- examining whether IAS39/IFRS4 represents a strong base for solvency measures in Solvency II

On the proposed EU Gender Discrimination Directive, although the Committee had felt unable to issue a consensus statement on the actuarial issues, several member associations lobbied the appropriate Government ministries in their own countries. It is difficult to know the extent to which such comments may have influenced matters, since other organisations such as the CEA had also lobbied strongly against the Directive's proposals relating to insurance. However, an initiative by the Irish Presidency resulted in a decision by the Council on Employment and Social Affairs not to support the original proposals. Subsequently, a new initiative by the Dutch Presidency has produced compromise proposals which would allow -

- the basic unisex rule which ensures that the use of sex-based actuarial factors does not result in differences in individuals' premiums and benefits;
- the possibility for Member States not to apply this rule in those cases where sex is a determining factor for the assessment of the risks insured (if based on relevant and accurate actuarial and statistical data), but not for costs related to pregnancy and maternity;

- appropriate review and reporting procedures after implementation, and the possibility to modify the Directive;
- establishment of an ad hoc Working Party by the Commission to examine current practices in Member States.

A working party has been set up to undertake a survey of present practices in each member state, and likely changes if the Directive is implemented, and a request is being submitted to the European Commission for the Groupe to have a representative on the review body to be established by the Commission, particularly if we have already gathered data through our own working party.

## **Pensions**

Members of the Pensions Committee will be co-operating in an International Mortality Research Project being undertaken by City University, London, funded jointly with the UK Actuarial Profession and Watson Wyatt. The project will be in four phases, to include the collection and analysis of data comparing mortality tables and annuity designs issued for pensions purposes in the countries of the member associations. It will also show how the information has been compiled and what use has been made of it. For example in the UK, mortality tables are used as the benchmark for making comparisons in the pensions industry.

A new survey of financial assumptions used in valuing occupational pensions liabilities is nearing completion. This survey has been undertaken with a view to assisting the European Commission with monitoring the convergence process in the Member States, resulting from the Directive, which requires the establishment of technical provisions. The survey studies the different technical provisions in the EU Member States and the ways in which the Directive is being interpreted and implemented by them in both accounting as well as in normal funding. It is hoped to present the initial phase of this survey (15 EU Member States prior to enlargement on 1 May 2004) to the forthcoming meeting with the CEIOPS Secretary-General.

The survey on Professional Responsibilities of Pensions Actuaries is being extended to include questions on the relationship between the Scheme Actuary and the national Supervisor, and on the independence of the actuary.

A number of other established surveys are constantly updated, and users should check the [publications and surveys page](#) to ensure that they have the most up-to-date editions.

It is hoped to publish, in Spring 2005, guidelines on the Prudent Person Principle, which the Committee has been developing over the past 18 months.

## **Investment & Financial Risk**

An extensive questionnaire on Risk Management Practices (which combines two long-planned but originally separate surveys on the Use of Yield Curves, and Asset Liability Mismatching) was circulated to member associations at the beginning of October. This questionnaire is designed to reflect practices across all sectors: Life and General Insurance, Pension Funds, Banking, and Asset Managers. It is hoped to have preliminary results by Spring 2005.

## **Education**

Final amendments to the Core Syllabus are almost complete. The revised Core Syllabus will be made available on the website shortly. The Groupe's [CPD strategy document](#) has been available on the website for some months, and a searchable [database of CPD activities and materials](#) was added during the summer. The results of the survey of actuarial education and qualifications will also be added the website shortly.

Following the success of the joint Groupe/IAA education conference on *Educating actuaries with a business orientation*, held in Berlin in November 2003, there are provisional plans for another joint conference in Edinburgh in November 2006.

### **International Actuarial Association**

As mentioned in the opening paragraph above, the President of the IAA, Luis Huerta, attended the Annual Meeting in Manchester. He spoke briefly about -

- the close links between the Groupe and the IAA;
- International Actuarial Standards of Practice (IASPs);
- minimum education requirements;
- strategic planning;
- professionalism, including the Morris Review.

### **New Groupe Chairman**

The Annual meeting marked the end of Maria da Luz Fialho's (Portugal) period of office as Chairman of the Groupe. She is succeeded by Paul Grace (UK - Faculty). Costa Koutsopoulos (Greece) becomes First Vice-Chairman, and Jukka Rantala (Finland) Second Vice-Chairman.