To: Presidents Forum IAA
From: Dutch Actuarial Society
Date: 10 November 2005

Role and opportunity for the IAA: the positioning of the actuary in Solvency II

CEIOPS is the Committee of European Insurance and Occupational Pension Supervisors. This committee has recently produced an Annex called “Role of the actuarial function” as part of its “Answers to the European Commission on the second wave of Calls for Advice in the framework of the Solvency II project” (October 2005). In this Annex CEIOPS introduces three models for the role of the actuarial function: responsible actuary, advisory actuary and “any other model”. The supervisors put the emphasis more on the current statutory actuary role and not so much on the future role of actuaries in a Solvency II framework. To name a few “typical” actuarial roles: adequacy of premiums (tariffs), adequacy of technical provisions, adequacy of reinsurance arrangements, analysis of the solvency situation.

What causes more concern is that CEIOPS tries to avoid any direct relationship between this actuarial function or role and the professional actuary or even the actuarial profession as a whole. To illustrate this we refer to one quote: “By actuarial CEIOPS does not mean that the work has to be done by an actuary who belongs to any professional association of actuaries, just that the work has to be actuarial in nature and done by someone of suitable competence”.

It seems like our profession is faced with a choice: to take a defensive position or to take (keep) the initiative. A defensive position implies: to discuss the unfairness of such statements, pointing out that CEIOPS has been very pleased with the work done by the IAA on Insurer’s Solvency Assessment. But if we try to take the initiative we can simply react by describing the professional way through which actuaries will pick up the Solvency II responsibility to assess the risks in an insurance environment and to adequately report on this as well as on the expected development of the solvency position of an insurance company.

In the Presidents Forum, scheduled to take place on Sunday 20 November 2005, Mr Ad Kok of the Dutch Actuarial Association (Het Actuarieel Genootschap) will present a summary of the recently published CEIOPS proposals and our view on the way the actuarial profession could/should respond.

Issues to discuss are:
- In a free world of services, protection of a specific occupation (as actuaries have) is difficult. In The Netherlands, we asked the legislator that “suitable competence” should be clarified by “competence as defined by the IAA core syllabus”. Do you agree?
- Do we agree on the enhanced role of the actuary?
- And if so, a delegation of the IAA contact CEIOPS and IAIS to point out the profession’s point of view
- The IAA should start work to develop the future actuarial function

We hope that by this short introduction you are willing and able to consider these issues within your society in advance, so that at our meeting we can decide on concrete steps to take.

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President Dutch Actuarial Society

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