



# ACTUARIAL ASSOCIATION OF EUROPE

## Actuarial Function under IORP II

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Tatiana Bitunskaja, AAE Pension Committee

# Actuarial Association of Europe

The Actuarial Association of Europe (AAE) was established in 1978, originally as the Groupe Consultatif Actuariel Européen, to represent actuarial associations in Europe.

Its purpose is to provide advice and opinions to the various organisations of the European Union – the Commission, the Council of Ministers, the European Parliament, EIOPA and their various committees – on actuarial issues in European legislation.

# Challenging environment - Regulatory



SII / IORP II :  
Actuarial Function – Risk  
Management Function



IFRS 17 for Insurance contracts  
Employee benefits accounting



IAS 501 : actuarial expert

# Challenging environment - Technology

Technological environment is evolving quickly (Data Sc., AI )

- IT technology and opportunities for Fintech and Insurtech;
- Volume and accessibility to data creates competitive advantage and need for scientific approach.

Data science and actuarial science go hand in hand.

Actuaries need to stay up to date with machine learning techniques, because without it, they run the risk of becoming an actuarial dinosaur...



## **AAE approach regarding Role of actuaries**

AAE is preparing an educational Note, designed to provide non-binding guidance to actuaries who are involved with the activities of the actuarial function under the IORP II Directive.

AF should performed services in connection with Article 27 (1) of the IORP II Directive of the European Parliament and of the Council of 14 December 2016 ((EU) 2016/2341) and in particular in relation to the preparation of a report on those activities (AFR).

## Main principles to be followed by AF

In performing the actuarial services, the AF will need to consider its work in light of the following principles:

- Principle 1 - Comply with the IORP II Directive and relevant law;
- Principle 2 - Carry out work which is proportionate to the nature, scale and complexity of the underlying risks of the IORP (Principle of Proportionality);
- Principle 3 - Ensure consistency with the code of professional conduct of the actuarial profession, with ESAP1 (2019) which covers general actuarial practice and with any other applicable general actuarial standards.

# Actuarial Function Report ( AFR )

The AFR can summarize all major tasks that have been undertaken by the AF and their results.

The AFR could also identify any deficiencies and give recommendations as to how such deficiencies could be remedied having regard to materiality and proportionality.

The Actuary may wish to discuss conclusions and recommendations with the Management on finalizing the AFR.

# AF and Technical Provisions

Article 27 of the IORP II Directive states that an **effective actuarial function** should:

- (a) coordinate and oversee the **overall process** of **calculation** of technical provisions;
- (b) assess the appropriateness of the **methodologies** (espec. FOG);
- (c) assess the sufficiency and **quality of the data** ...
- (d) The AFR could explain the potential **sources of uncertainty** and, where appropriate, illustrate by possible scenarios.

The AFR can describe the factors, including **risk drivers** and **assumptions**, which have a material impact on the amount of Technical Provisions ( sensitivity analysis ).



## AF and Insurance Arrangements

The AFR could explain any concerns which the AF may have regarding the adequacy of insurance arrangements ( Benefit schemes, options and guarantees ) .

The AFR could outline recommendations to improve the insurance arrangements

The AFR might outline the extent to which the insurance arrangements of the IORP are not consistent with the IORP's risk appetite, underwriting policy and Technical Provisions.

# AF and Underwriting policy

AF could assess the suitability of the overall underwriting policy in the following areas:

- sufficiency of premiums or contributions,
- environmental changes,
- adjustments to premiums,
- adverse demographic trends and intergeneration balance ...

# AF and Risk Management

Role of the AF regarding Risk Management contains:

- assessment of data and models;
- appropriateness of the models and assumptions used;
- its contribution to the Own-Risk Assessment process, including its views in relation to the stress-test scenario undertaken, as well as to the assessment of the overall funding needs of the IORP.

# Way forward for actuaries

Formal responsibilities for Appointed / Responsible actuaries have been transformed in AF since SII Directive:

- More corporate approach
- More focus on the risk management and capital.

The role of the Responsible Actuary should be retained, in the interests of policyholders and of ensuring that actuaries retain their strong independent role within insurance firms  
(DAV)

# ACTUARIAL ASSOCIATION OF EUROPE

Actuarial House  
1 Place du Samedi  
1000 Brussels  
Belgium

[www.actuary.eu](http://www.actuary.eu)

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