

Response from the Actuarial Association
further to

A Consultation Document Morris Review of the Actuarial Profession



**Actuarieel
Genootschap**

Dutch Actuarial Association, September 2004

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Governance of the Dutch Actuarial Association

The Dutch Actuarial Association [*Het Actuarieel Genootschap*] is governed by the Council. In addition there are five independent sections and a number of working groups, acting under the responsibility of the Council or the Board of a section. The articles of association allow members considerable influence. The nomination process and election of Board members is transparent. The associations' activities are financed by individual and personal membership fees, thus excluding commercial influences.

The Association has from the start a very substantial involvement in the Groupe Consultatif (GC) and the International Actuarial Association (IAA).

The level of quality provided by actuaries is high through education and considerable competition. this competition is a result of the presence of big international insurance companies and actuarial consultancy firms in the Netherlands.

A framework of professional independency rules has developed gradually over the years and is expected to be finalised at the end of 2004.

The direction we have taken as an actuarial association is that in which permanent requirements are being made of members and in which improvements are continuously made with respect to identifying governance aspects and/or issues.

Summary

Main issues The Netherlands

- The Dutch Actuarial Society is well established within a long tradition; very few cases of malpractice are known within the profession.
- Dutch actuaries currently have no public role, but due to intensive governance discussions by Government, change is expected in the near future, possibly 2006.
- A public role could be that on the advisory side the actuary has a fiduciary responsibility for its client, and on the certifying side the actuary must make a public statement upon the *expected* development of the solvency (given the current financial situation and plans).
- There is a high grade of competition between actuarial consultants, and therefore - in governance terms - a healthy environment exists. However, concerning governance the regulations for actuaries have to be developed.
- Actuaries are relatively scarce in the Netherlands, mainly due to low influx from students.
- The Actuarial Association pays much attention to international representation. Much effort is made to contribute to the work of the Groupe Consultatif and of the International Actuarial Association.
- Insurance companies and pension funds play an important role in the Dutch economy, and therefore the work of actuaries is of high impact to the Dutch society.
- Actuaries have achieved a high status within the financial risk environment, due to the high demands of clients. In this field the actuary feels the threat of other professions: if he doesn't fulfil the clients' demands, other professionals are willing to fill the gap. As a result salaries are still relatively high.
- The Government and the Supervisors employ a relatively low number of actuaries
- The Dutch education system is unique; there is a possibility to graduate as an actuary with a masters degree on actuarial science followed by post-graduate professional training and a second possibility is to follow a part-time (non university) study at the Actuarial Institute, which is governed by the Actuarial Association

Opinions Dutch Actuarial Association

In the Netherlands currently the key issue is the independent position of the certifying¹ actuary: an independent position in an increasingly complex financial market with regard to the various stakeholders. The Actuarial Association is working on developing a strategy policy of self-regulation, which ensures the position of the certifying actuary. A draft policy has already been compiled by a working group. This draft will be discussed with the members in November 2004.

Most of the opinions mentioned hereafter are related to this ongoing discussion.

- The certifying actuary should be independent from the certifying auditor (e.g. should not be working for the same accounting firm).
- The Actuarial Association is much in favour of a strong international community; IAA rulings are binding.
- With regard to professional standards the Actuarial Association prefers a principles based approach versus a rules based approach; it is important to set a regulatory framework while maintaining the individual professional responsibility of the actuary.

¹ In this document we prefer to use *certifying actuary* instead of the more established Anglo Saxon *Appointed and Scheme actuary*. This is in line with the wording in the tri-partite agreement (Addendum 3). In the Netherlands one wording is used to cover both the *certifying* duties for insurance companies and for pension funds. An additional reason to use the Dutch term is that the actual *certifying* duties and responsibilities do not completely match those of the Appointed or Scheme actuaries work.

- It is the responsibility of the Actuarial Association to set standards on education and to protect and develop the overall governance and quality of the profession.
- Currently two important issues are under discussion:
 - Is the core responsibility of the certifying actuary to protect the interests of policyholders and beneficiaries (a public role)?
 - Should a certifying actuary be controlled by an independent authority?

Introduction

The actuarial profession has a long history in the Netherlands. Johan de Witt (1625-1672) can be considered as the world's first actuary. Two clearly recognisable characteristics prevail throughout the professional association's long history: the number of actuaries in the Netherlands has always been small and, in addition, the Dutch actuarial profession has always profiled itself strongly in actuarial study programmes, whether university programmes or part-time programmes.

There is one important difference between the UK actuarial profession and the Dutch counterpart. Both the study conducted by Lord Penrose and the "Morris Review of the Actuarial Profession: A Consultation Document" show that the UK actuary's responsibility is linked to a public function². In the Netherlands, the situation is quite different. In Dutch law, nor in regulations issued by the profession, is explicitly stated that actuaries have a responsibility towards policyholders and pension scheme members by virtue of their function. In Dutch practice, the role of the certifying actuary has been developed in a way that this responsibility rests with the supervisory authority³ and with the (supervisory) boards of individual insurance companies and pension funds.

The role of the certifying actuary is the only formal role laid down by law in the Netherlands. In the framework of his statutory obligation, the certifying actuary is only expected to sign a company's accounting statement⁴. Dutch law also stipulates that any professional to which the supervisory authority has no objections, is able to certify⁵. Based on this statutory provision, the supervisory authority is permitted to establish direct agreements with the actuarial profession, within the framework of supervision.

Since a strict statutory basis is not present for the tasks and responsibilities applicable to the Dutch (certifying) actuary, he must 'negotiate' his role in relation with the clients and the supervisory authority. Today this certainly applies to the certifying actuary's role in relation to pension funds. In this context, it is also important to observe that the (certifying) actuary's clients, i.e. insurers and pension fund boards, are themselves well represented by umbrella organisations, such as the Association of Insurers [*Verbond van Verzekeraars (VvV)*], the Association of Company Pension Funds [*Stichting voor Ondernemingspensioenfondsen (Opf)*] and the Association of Industry-wide Pension Funds [*Vereniging van Bedrijfstakpensioenfondsen (VB)*]. With respect to the actuary's position, the umbrella organisations play a role to the extent that these organisations often have the quality necessary to be able to assess the work of the actuary in a general sense.

As in other countries, a discussion has arisen in the Netherlands on the organisation of the supervision of financial institutions. In many cases, the need for more transparency, more structure in terms of risk control and the need for governance are being expressed. As a result, the role played by the actuary, certainly as a certifier is under discussion. Although a public role, laid down in law, is absent, there is a clear tendency currently to move the actuarial role in this direction. Specifically, this entails that the (certifying) actuary is asked to guarantee more explicitly his independent position, enabling him to improve his monitoring of the interests of policyholders and pension fund members.

² Cf. the question central to the Morris Review. "A key issue for the review is the extent to which the current framework of self-regulation by the actuarial profession adequately protects the public interest."

³ We can observe differences between the supervisory authorities in the Netherlands and the UK, but it is difficult to determine exactly where these differences lie. However, we would like to observe that the Dutch supervisory authority plays an active supervisory role. The supervisory authority meets frequently with various Boards in the Netherlands. Explicit attention is also paid to the level of expertise possessed by its own employees.

⁴ Formal analysis forming part of reports made to the supervisory authority

⁵ The supervisory authority, DNB/PVK, may or may not object, but does not itself set quality criteria to be met by certifying actuaries.

In line with the above trend, this Dutch contribution to the Morris Review considers the 'public role' of the certifying actuary as a future development. Given the actuary's public role, the formation of an opinion on an institution's financial position forms an important part of the responsibility of the certifying actuary, a role that is more self-evident for actuaries in the UK, where pension schemes and entitlement calculations for policyholders and members must be approved.

1 The Framework Applicable for the Actuarial Profession

1.1 The Field of Work

The majority of the Dutch actuaries are employed by one of the three most important types of employer: insurers, consultants or pension funds. Insurers and consultants are by far the largest employers (306 full members, plus 196 affiliates employed by insurers, and 275 full members plus 151 affiliates employed by consultants). The majority of consultants render services to pension funds. Another 60 full members and 55 affiliates are employed directly by pension funds.

Employer	Insurer	Consultant	Pension Fund	Other	Not Known
Full members (AAG)	306	275	60	51	56
Affiliate	196	151	55	52	30

Actuaries Per Area of Work

Insurers

In the Netherlands 85 non-life insurers, 79 life insurers and 45 funeral insurance are certified by an actuary. Only non-life insurers offering (permanent) health insurance need to be certified; for other lines of business certification is not obliged (the total number of Dutch non-life insurers is more than 200). Actuaries and other individuals with an actuarial education are predominantly employed by the biggest insurance groups of which many are bancassurance groups: ING Group, Fortis, AEGON, Achmea, Delta Lloyd (Aviva) and Interpolis (Rabobank).

	AAG members	Affiliated*	Actuarial Student
ING Group	60	24	45
Fortis	36	25	19
Delta Lloyd (Aviva)	29	8	25
Achmea	27	51	29
AEGON	18	17	17
Interpolis (Rabobank)	13	11	24

* Students who are registered as affiliate member and also as student are only counted as affiliated members

In most large insurance groups, certification is (still) done by internal actuaries (ING Group, Fortis, Achmea and Interpolis); the other major insurers have external certifiers (AEGON and Delta Lloyd). Most of the smaller insurers have an external certifier. For external advice, insurers can call upon the services of consultancies specialising in the insurance industry (Mercer Oliver Wyman, Tillinghast Towers Perrin, Watson Wyatt Insurance Consulting and B&W Deloitte), upon companies that service pension funds as well (Ernst&Young, PricewaterhouseCoopers, KPMG) or one of the small consultancy firms. Some also provide external certification. A total of 37 actuaries certify the life insurance companies in the Netherlands with a total reserve of € 106,954 million. In total 45 actuaries certify the non-life companies where certification is obliged, a technical provision totalling € 14,321 million.

Source: PVK	Non-life (domestic market)	Life (domestic market)	Funeral Insurance
The number of certifying actuaries	45	37	11
Level of technical provision for certification (mln €)	14,321	106,954	771
Number of companies	85	79	45

Actuaries deliver various services for insurance companies:

- Actuaries are involved in product development;
- Actuaries are involved in investment. For example where ALM studies are performed;
- Actuaries are involved in strategic issues;
- Actuaries may be involved in accounting and reporting, both internally and externally;
- Actuaries may be involved in reinsurance;
- Actuaries may be involved in risk management

The above activities are functional. There are many member actuaries who are not in an actuarial position (any more), but a management one.

Pension funds

When characterising the total amount of the Dutch pension funds (873⁶), a distinction is made, generally, between industry-wide pension funds (14%), company pension funds (85%) and occupational pension funds. All these pension funds require certification by an actuary except when they are fully reinsured by insurance companies. At a rough estimation, 8% of the pension funds are fully reinsured.

Source: Allen&Overy/Boer&Croon	Number of Pension Funds	Funds Invested	Number of Members*
Size in terms of the number of members		€ billion	x 1,000,000
0-10,000	652	65	0.8
10,000 – 1,000,000	70	175	4.4
> 1,000,000	2	180	3.0
Total	724	420	8.2

Figures based on 2002

* Members are defined as: active members and pensioners

Most pension funds are certified by external actuaries. There are various pension consultants that provide different forms of service: administration, advice and certification. The biggest Dutch consultants that focus almost entirely on pension funds are Mercer Human Resource Consultants, Watson Wyatt, Towers Perrin, Hewitt, Deloitte and AON/Consultas. Besides these consultants, there are also a number of more general consultancies (Ernst & Young, PricewaterhouseCoopers) and, finally, a number of actuarial organisations that provide services for pension funds. A number of (large) pension funds (PGGM, ABP, PMT) are certified externally, but also have their own actuarial expertise.

When an analysis is made of the activities performed by pension actuaries,⁷ it is found that approximately 90-95% of their work consists of the provision of advice (arrangements and financial planning) and administration, while 5-10% consists of reporting and certification activities, such as the

⁶ Figure based on PVK 2003. The total number of pension funds decreases as a result of mergers

⁷ In the Netherlands, the actuarial profession has no involvement in social insurance schemes. Policy and implementation and control lie entirely in the hands of the Ministry of Social Affairs and Employment.

provision of accounting statements for the supervisory authority and certificates to be included in annual reports. A total of 165 actuaries certify 663 pension funds with a total reserve of € 356,248 million.

	AAG Members	Affiliated*	Student
Mercer HRC	61	20	46
Watson Wyatt Brans & Co	43	5	35
Towers Perrin	28	9	26
Hewitt	25	8	49
AON/Consultas	10	9	24

* Students who are registered as student and also as affiliate member are only counted as affiliate member

In the Netherlands, the number of actuaries employed by insurers and the number active as external advisers are virtually the same. Most advisers are pension specialists. In addition to the big actuarial consultancies, a large number of small independent companies are active (approximately 30 AAG members work in organisations such as these).

*The largest Actuarial Employers**

Name	Type of Employer
Mercer HR Consulting	Pension adviser
ING Group	Insurer
Watson Wyatt Brans & Co	Pension adviser
Fortis Group	Insurer
Achmea	Insurer
Towers Perrin	Pension adviser

* based on data on full AAG members, affiliated members and active students

*The largest Actuarial Employer Consulting firms**

Pension Advice	Insurance Advice
Mercer HR Consulting	Tillinghast Towers Perrin
Watson Wyatt Brans & Co	Mercer Oliver Wyman
Towers Perrin	Watson Wyatt Insurance Cons
Hewitt	B&W Deloitte
AON/Consultas	
Heissmann Consultants	

* based on data on full AAG members, affiliated members and active students

1.2 The Regulatory Framework

1.2.1 Statutory Framework

The role of the certifying actuary is the only actuarial role to have been laid down by law in the Netherlands. The statutory obligation for actuarial certification is set out for insurance companies in the Insurance Supervision Act [*Wet Toezicht Verzekeringsmaatschappijen (Wtv)*], for funeral insurance companies in the Funeral Provisions Insurance Supervision Act [*Wet Toezicht Naturaverzekeringen (Wtn)*] and for pension funds in the Pension and Savings Funds Act [*Pensioen- en spaarfondsenwet (PSW)*]. As such, life insurance, pension schemes placed with a pension fund and funeral insurance all fall under the obligation to obtain actuarial certification. For non-life insurance, the Insurance Supervision Act only provides for the compulsory certification of certain sectors that fall under

'Accidents and Illnesses'. In practice, this legislation only gives rise to an obligation for insurance against illness and occupational disability. So, currently only "Life & Health".

By law, the certifying actuary is being assigned a role comprising the approval of the Actuarial and Technical Business Memorandum [*actuariële en bedrijfstechnische nota (ABTN)*]. From a legal point of view, responsibility for a certificate indicating an organisation's overall financial position lies with the insurer's or pension fund's Board. When certifying a company, the actuary takes into account a company's overall financial position (in other words, not just the liability side of the balance sheet).

1.2.2 Semi-statutory Framework

On the basis of the authority vested in the statutory framework for supervision, the DNB/PVK has regularly taken initiatives resulting in more stringent supervisory rules. Supervision has been tightened for pension funds, achieved partly by increasing the number of funds supervised. For certifying actuaries employed by insurers, the introduction of the tri-partite agreement⁸ has supported their position tremendously. This agreement requires the actuaries opinion on the overall financial position of the company. As such, the supervisory authority is adding to the actuary's statutory task, i.e. signing for the adequacy of reserves. As mentioned earlier, the issue of the independent position of the certifying actuary has resulted in the opinion that this wider statutory task should be laid down by law. The discussion is ongoing and for the time being the semi-statutory nature is considered as a second best option.

Another possibility that the supervisory authority utilised is defining actuarial principles (based on the EU 3rd Life Directive) that contain regulations on a certifying actuary's functional responsibilities. In the nineteen eighties and nineties, the DNB/PVK issued principles applicable to life insurance and pension funds. Although there are no formal qualification requirements that distinct between the position of an actuary certifying pension funds or insurance companies, a clear distinction has arisen in practice.

These principles are currently being redrafted into a financial assessment framework, which will include guidelines corresponding to recently developed accounting and reporting guidelines. As a result of the new rules, it is anticipated that certification will be extended to other non-life sectors in 2007.

1.2.3 Self-regulation

Members of the Actuarial Association are bound by the codes of conduct and other regulations issued by the Actuarial Association. A procedure sets out how guidelines are issued and amended within the Actuarial Association.

In comparison to the UK for example, the Actuarial Association has laid down just a limited number of rules. The most important code of conduct for members is the Code of Professional Conduct for Members of the Actuarial Association [*Reglement van Orde*]. These guidelines are attached to this document. Most specific guidelines relate to the work undertaken by the certifying actuary.

Members of the Actuarial Association are also bound by the complaints procedure set out by the Actuarial Association, as laid down in the Rules of Legal Procedure. This procedure offers interested (third) parties the possibility to lodge a complaint against a full member of the Actuarial Association. These Regulations also make it possible for members of the Actuarial Association to raise complaints relating to the professionalism of their fellow members. Little use is made of this disciplinary procedure.

⁸ This concerns the document entitled Covenant in Relation to the Contribution of the Certifying Actuary of an Insurer to Prudential Supervision by the Pensions & Insurance Supervisory Authority for the Netherlands [*Convenant inzake de bijdragen van de certificerend actuaris van een verzekeraar aan het bedrijfseconomisch toezicht van de Pensioen-en verzekeringkamer*]. This includes the model for a tri-partite agreement between the insurer, the certifying actuary and the Pensions & Insurance Supervisory Authority for the Netherlands [*Model voor een driepartijenovereenkomst tussen de verzekeraar, de certificerend actuaris en de stichting Pensioen- en verzekeringkamer*]. The full text, and appendix, of the Covenant is attached.

For that matter, the tri-partite agreement referred to above offers the certifying actuary the opportunity to inform the supervisory authority, at an early stage, of matters that he feels are a cause for concern (taking upon himself the role of 'whistle blower' and 'early warner').

Where complaints relate to matters set out in the Code of Professional Conduct, the above applies. There are also other complaints, which do not relate to the conduct of members of the Actuarial Association but to the outcome of their calculations (has the actuary done his calculations properly?). These complaints are common and, in most cases, can be dealt with by the Actuarial Society.

1. 3 Movement in the Framework

1.3.1 Social Changes

In the Netherlands, the actuarial field of work has been subject to various changes: it has broadened and developments in the financial world are demanding a change in actuaries' attitudes. Their field of work has broadened under the influence of developments such as those below:

- An increase in scale in the insurance world (cf. bancassurance);
- An ageing population and changes in the composition of the stakeholders of pension funds (increasing interest from pensioners);
- Rapid technological developments resulting in improved and faster calculation models and more advanced opportunities for risk assessment. This offers opportunities for more complex and more high-risk investment and for the more competitive pricing of contributions, both with insurers and pension funds.

Global financial disasters, such as those at Enron and Ahold, have also affected the actuarial profession in the Netherlands. The public were quick to lose their automatic trust in the financial world and is now demanding tangible proof from actuaries that they have arrived at their opinion independently. As such, actuaries are being asked to consider the interests of policyholders and pension fund members (a shift from 'trust me' to 'show me' and 'tell me'). Since the task of certifying actuaries is not based on statutory rules, it is, in the first instance, up to the professional group itself, via self-regulation, to develop a system of regulations and quality assurance that offers outsiders sufficient guarantees that actuaries' opinions are arrived at in a manner that is professional and independent.

The demands being made by the outside world are becoming increasingly more urgent, particularly given the considerable attention being paid to pension fund governance in the Netherlands. The disappointing investment results for 2000–2003 have had repercussions for the investment ratios⁹ achieved by Dutch pension funds. The prevailing opinion that pension funds were more than adequately financed disappeared rapidly. Although there have been no visible catastrophes, agreements on corporate governance for listed companies have caused the government to insist upon the pension industry's introduction of regulations to clarify and increase the transparency of (financial) management. Recently (June 2004), the Ministry of Social Affairs and Employment unequivocally announced that proposals are expected from the industry in the short term.

⁹ The ratio between investments and provision for pension obligations is used as a standard ("dekkingsgraad")

1.3.2 Consequences for the Actuarial Profession

Under the influence of social change, the role played by actuaries is also being scrutinised closely. There are a number of examples of situations to which attention must be paid, despite the fact that no specific problems have occurred. A situation that chiefly occurs in the pension sector, the mixing of functions, where both advisory and certifying tasks, or even the combination of administration/advice and certification is possible, has been raised for discussion. Another aspect being subjected to critical scrutiny is the fact that a pensions adviser is able to advise both the company and the pension fund of the same company. Insurers are debating whether or not there is still a place for internal certifying actuaries, partly under the influence of rules for corporate governance (the Tabaksblad corporate governance code).

As a professional organisation, the Actuarial Association started, in the spring of 2003, to formulate new regulations designed to ensure the independence of certifying actuaries. The problems and (potential) dilemmas facing actuaries are being analysed by working groups that have been instructed to perform this task. Problems may arise, for example, where responsibilities for acts of governance are unclear. This may occur in the division of tasks between a certifying actuary and the certifying accountant¹⁰. In addition, a void may be created where actuarial certification is not defined. Therefore, this is the reason why the Actuarial Association has pointed to the importance of (semi-)statutory frameworks as a means of support for professional guidelines formulated by the Actuarial Association, and intended to secure the position and credibility of the actuary. Amongst other things, attention is drawn to the importance for clients to sign a declaration stating their agreement with and acknowledgement of the Actuarial Association's professional rules and that the quality requirements demanded of the certifying actuary by the Actuarial Association shall also be observed by the relevant parties.

¹⁰ Also see the letter that the Actuarial Association wrote on this problem and sent to the international actuarial umbrella organisation, the International Actuarial Association. The most important passages from this letter have been included as an addendum to this document.

2 The Actuarial Profession and the Professional Association

2.1 Tasks of the Professional Association

The Actuarial Association sees three core tasks for itself:

1 *The Positioning of the Strategic Interests of the Actuarial Profession*

This involves the interests of individual members and, in particular, subjects on the national and international political agenda, such as pension legislation and regulations, or accounting rules. When reorganising the Actuarial Association in 2001, its members opted to make the external positioning of the actuarial profession one of its explicit tasks. The following objective follows on from this task: 'At an early stage, contributing to the development of legislation and regulations in the field of insurance, pensions and financial risks, particularly where actuarial expertise is at stake.'

Contiguous to this objective, the Actuarial Association's Board regularly maintains contact with the supervisory authority. Its contacts with the Ministry of Finance and the Ministry of Social Affairs and Employment are more incidental. A permanent consultative body (PCNA, a platform committee consisting of representatives from the Royal Netherlands Institute of Registered Accountants (NIVRA) and the Actuarial Association) has been created for contact with accountants, and meets on a number of occasions throughout the year. Contacts are also maintained with a number of relevant umbrella organisations (pension umbrella-organisations, insurer umbrella-organisations) and professional organisations (investment analysts, risk managers).

2 *Organising the profession as a whole*

This task includes those activities that are geared towards bringing the quality and professional level of the actuarial professional group in line with the standard expected from it by the market and society. This key area includes all activities that can be placed under the common denominator *quality assurance*:

- The formulation of qualification requirements governing admission to the Actuarial Association;
- The creation of a system of permanent education;
- The creation of codes of conduct and guidelines for practical performance;
- The creation of a sanctions policy.

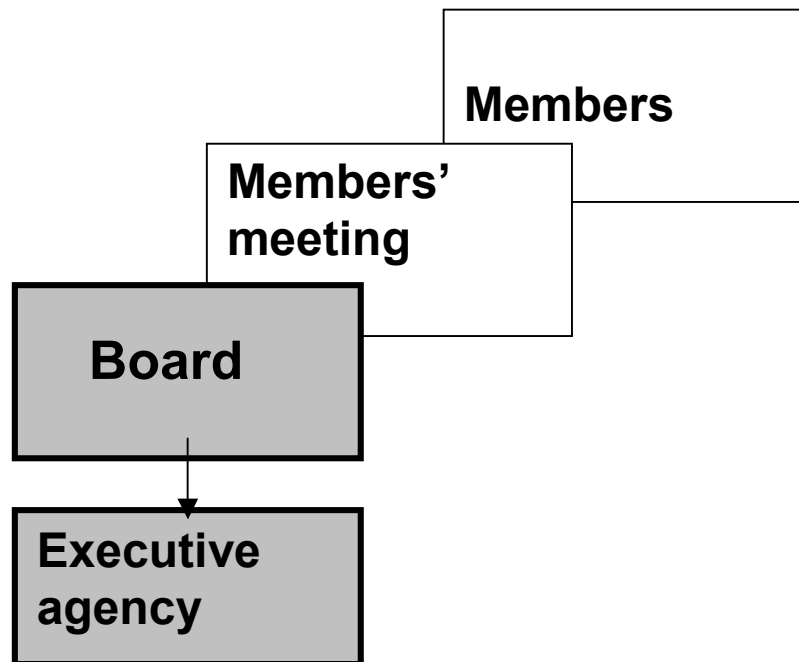
3 *Service Provision to Individual Members*

Finally, the Actuarial Association also offers members certain services and facilities. For instance, it produces publications, provides information via its own periodical and via Internet and organises sessions for members.

2.2 Structure of the Actuarial Association

The Actuarial Association is an association of individual members and is not subsidised by company membership, for example. In addition to the contributions paid by members, some of the Association's activities generate (a limited amount of) income.

The Actuarial Association's members elect a Board, to which responsibility for current association matters, external profiling and the development of policy for the (medium-)long term is delegated. The coordination of current affairs and the implementation of policy are placed with the Actuarial Association's Office. In addition to the above, there is also a foundation, the Actuarial Institute [*Actuarieel Instituut*], which is responsible for the provision of the (part-time) actuarial study programme, examination and the delivery of the permanent education study programme for members of the Actuarial Association.



Within the Actuarial Association, an important task is also reserved for specialist sections. These play an important role in the initiation and development of activities that are intended to ensure that actuaries maintain their level of expertise. This role is still being developed. For example, an optimal organisational form has not yet been established and, in all probability, the most important policies and guidelines for quality assurance and specialist development will be set out by an umbrella organisation consisting of representatives from all of the various specialisms. In addition to the above, task profiling for individual sections is still at the development stage. The sections will increasingly be expected to play a role in the encouragement, coaching and provision of support for fellow professionals.

In addition to the above, the Actuarial Association's Board regularly asks for advice and input from members. Members are approached to take part in (ad hoc) working groups created in order to advise the Board on important themes and issues.

2.3 The Evolving Association

Discussions currently taking place in the Netherlands on the independent position of actuaries have immediate consequences for the position of the Actuarial Association in respect of its members. Where, until recently, the relationship between the professional association and members was a relatively voluntary one, the formulation of independence regulations will bring with it the question of whether or not the Actuarial Association ought to gain a more prominent role in terms of ensuring quality and independence on the part of its member actuaries, particularly if the responsibility of the certifying actuary in respect of public interest starts to play a more explicit role than has been the case to date. If the Association's members opt for clearer quality requirements - the introduction of peer reviews and the tighter formulation of a sanctions policy - the role played by the Actuarial Association will lose some of its voluntary nature and will become more prescriptive. The introduction of a peer review, which is geared towards the achievement of greater transparency in the opinion arrived at by the certifying actuary, will meet with considerable objection from the Association's members. At the same time, the Association will also gain a more emphatic role in the field of the facilitation of information exchange between members with similar positions. The creation of a 'certification chamber', for example, where

certifying actuaries will be able to freely discuss any problems or bottlenecks they may have, is one of the ideas proposed in this context. It is essential that actuaries with the same responsibilities be offered the opportunity to discuss problems without violating the confidentiality imposed on them.

The independency working group has compiled a document, which is hereto attached.

2.4 Actuarial Study Programmes

For many years, the Actuarial Association has played an important role in the training of actuaries. Since 1947, the Association has managed a foundation, *BUOAW*, later renamed the Actuarial Institute, where students are able to follow a part-time actuarial study programme. Over the years, members of the Association have contributed actively to the development of the programme. The general meeting of the Actuarial Association sets out the attainment targets for the actuarial study programme. These attainment targets set for the programme exceed the international programme requirements set out in the Core Syllabus developed by Groupe Consultatif and IAA.

Once the Actuarial Association has set out the attainment targets, there is no further involvement with the realization of the education. The Actuarial Institute as well as the University of Amsterdam are responsible for the quality of the education. Periodically the Association monitors if the targets match with the requirements of the market.

Graduates are eligible for full membership of the Association. On the basis of these attainment targets, the Institute now offers a modular part-time programme lasting nine years, after which graduates are fully qualified actuaries. There are two points at which students are able to leave the programme before completion of the 9-year programme, i.e. at the level of Actuarial Assistant (after 1 ½ years) and the level of Actuarial Analyst (after 4 ½ to 5 years). Each year, approximately 80 students attain the level of Actuarial Assistant, 20 students the level of Actuarial Analyst and 15 students are awarded the Actuary certificate.

Actuaries are scarce in the Netherlands. The part-time programme offers employers the opportunity to train employees from different backgrounds for the profession of actuary. Students with very different educational backgrounds follow the part-time study, in combination with a job in the field. The students in question may have completed university studies in econometrics, mathematics, statistics, economics, physics or accountancy. Students with a background at higher professional education level (HBO) also register for the programme, for example higher commercial education (HEAO) or a teacher-training programme in the exact sciences (mathematics, physics or chemistry). However, students who have completed their secondary education (at pre-university education; VWO with mathematics) are also able to register for a place on the programme.

In addition to the part-time programme, students are also able to follow a university programme in actuarial sciences. This is provided by the University of Amsterdam. Armed with a Master's degree in actuarial science, the graduate is able to follow a post-graduate vocational study programme in order to achieve the attainment targets, which are set by the general meeting of the Actuarial Association. This is provided by the Actuarial Institute, on behalf of the Actuarial Association. In approximately 1½ year, students are able to gain the Actuary certificate, a condition for membership of the Association. Each year, 20 students are awarded the Master's Degree in Actuarial Science, and 20 students graduate from the post-graduate programme with an Actuary certificate. Together with the non-university students, between 30 and 40 students graduate with an Actuary certificate.

Both the Actuarial Association and employers maintain contact with several student societies and universities. The Actuarial Association seeks to collaborate with these societies to introduce the

profession of actuary to students at an early stage. Most major employers also have their own channels for student recruitment.

The Dutch actuarial study programme complies with all of the (minimum) programme requirements set out, or still to be set out, by the European (Groupe Consultatif) and the worldwide (IAA) umbrella organisation in the Core Syllabus. The Actuarial Association places a strong emphasis on generic knowledge of other non-actuarial disciplines and communication, facilitating an understanding of the language use by the different professions.

The emphasis that the so-called soft skills have gained in the Core Syllabus, but also in the starting points applicable for CPD can partly be attributed to Dutch efforts in this respect.

In cooperation with the German, the Austrian and the Swiss association seminars and courses are organised for Central European and Easter European countries.

Other Information

I Actuarial Association Member Information

Overview of Member Development 1992-2003

Year	1992	1998	2000	2001	2002	2003
FQA	405	692	687	716	748	782
Affiliated	502	350	446	465	484	504

Due to healthy intake levels, younger members (FQA) are relatively well represented:

Age	30 -	31-35	36-40	41-45	46-50	50+	60+
Male	75	132	130	69	78	93	56
Female	40	62	28	10	5	1	3
Total	115	194	158	79	83	94	59

II Certifying actuaries

Source: PVK	Non-life (domestic market)	Life (domestic market)	Funeral insurance	Pension Funds
Number of actuaries	45	37	11	165
Size of reserve for certification (€ millions)	14321	106954	771	356248
Number of companies	85	79	45	663

III Size of Employers for Actuaries and Persons with an Actuarial Education

Pension Consultants

	AAG Members	Affiliated*	Student
Mercer HRC	61	20	46
Watson Wyatt Brans & Co	43	5	35
Towers Perrin	28	9	26
Hewitt	25	8	49
AON/Consultas	10	9	24

Insurance companies

	AAG members	Affiliated*	Student
ING Group*	60	24	45
Fortis Group*	36	25	19
Delta Lloyd (Aviva*)	29	8	25
Achmea*	27	51	29
AEGON*	18	17	17
Interpolis (Rabobank*)	13	11	24
AXA	13	4	n.a.
SNS Reaal	12	12	n.a.

* bancassurance group

Insurance Consultants

	AAG members	Affiliated*	Student
Tillinghast Towers Perrin	12	2	n.a.
Mercer Oliver Wyman	10	4	n.a.
B&W Deloitte	7	5	n.a.
Watson Wyatt Insur. Cons.	7	3	n.a.

Consultants, Various

	AAG members	Affiliated*	Student
Ernst & Young	21	6	n.a.
Pricewaterhouse Coopers	7	4	n.a.

Pension Funds

	AAG members	Affiliated*	Student
ABP	9	3	n.a.
PGGM	7	4	n.a.
SFB	4	6	n.a.

* Students who have registered as affiliated or student members are counted as affiliated members

Addendum 1

Letter to IAA on behalf of the Chairman of the Actuarial Association

(....)

IASB is working hard to establish new standards. IAA is fully involved in the contribution of actuarial-related standards. Besides these standards, we would also like to address another, related issue, i.e. governance between both professions. The most important reason for raising this issue is to avoid any potential conflicts in professional responsibilities between accountants and actuaries in matters where they act according to their current professional standards. A conflict might arise, for instance, where an actuary disagrees with an accountant on the importance of an additional reserve and where the actuary's governance might force him to take a stance.

Therefore, in our opinion it is vital that clarity exist between both groups of professionals with regard to their obligation to the public interest. Another reason for governance rules are legal liability cases. We would like to point out that a number of working agreements already exist between actuaries and accountants in several countries. An example of working agreements applicable in the Netherlands is attached.

In addition to the Dutch example, we would like to suggest the following three governance rulings:

1. Legal framework

Calculated (actuarial) liabilities are always based on the legal framework applicable in a particular country. The advice is that it should be clear who is to take responsibility for the interpretation of this legal framework. IAA suggests that the actuary advise the accountant (auditor) on this matter, since he has the relevant experience. If the accountant chooses otherwise, he will be obliged to make public note of his decision.

2. Meaningfulness of provided calculations

Records are not always available for the calculation of the liabilities requested. The main reason for this is that privacy legislation in some countries prohibits the keeping of more records than are strictly necessary. The committee suggests that the actuary could provide a rough best estimate to the accountant (auditor) on this matter, but the accountant must explicitly state that the figures used are based on broad assumptions.

Calculation of the exact figures would require the (risked) violation of privacy legislation. We feel that the accountant (auditor) should take fully responsibility for this, where requested.

3. Independence

In the Netherlands, the actuarial profession is currently in the process of establishing new professional guidelines. These guidelines will focus on the independent position of the certifying actuary. It seems that one of the independence criteria will prohibit certifying actuaries and certifying accountants from the same firm working together. So, due to the complexity involved, an independent actuarial company will be responsible for auditing actuarial work. The certifying accountant and actuary will be obliged to respect each other's positions and refrain from the performance of any activities that are not directly related to their own professional activities.

We hope that IASB will adopt the above principles and look forward to fruitful cooperation in the future.

Yours sincerely,

(....)