

**Groupe Consultatif des Associations
d'Actuaires des Pays des
Communautés Européennes**

GUIDANCE NOTES

**Life Assurance
General Insurance
Pensions**

**Notes for the Guidance of fully qualified
members of professional actuarial bodies
in the European Union**

Groupe Consultatif
Recommended Practice
Life Assurance

1. Introduction
 - 1.1 These notes have been produced for the guidance of fully qualified members of the professional actuarial bodies located within the European Community (referred to hereinafter as actuaries) providing actuarial advice orally or in writing to organisations providing life assurance products. It is expected that if the oral advice is important it should be confirmed in writing.
 - 1.2 Should there be any conflict, these guidance notes are recommended practice and do not take precedence over the professional code of conduct or professional guidance notes which may be in operation in individual countries as required by the appropriate professional bodies, but offer basic general guidance which actuaries from all countries within the EC can adopt to bring a degree of consistency in approach.
 - 1.3 These guidance notes apply to any actuary providing formal life assurance advice, either as an employed actuary or as a consultant, within any country in the European Community.
2. Guidance
 - 2.1 Actuaries providing advice should either have the appropriate knowledge and experience of the subject concerned or have formal recourse to those who have such knowledge and experience. This knowledge includes methodology, relevant legislation, local conditions and, where applicable, any professional code of practice in the country concerned.
 - 2.2 A written report should make it clear to whom the report is directed, by specifying the client or principal, and the purpose and scope of the assignment. It should also state the name and qualifications of the actuary or actuaries providing the report and be signed by them personally.
 - 2.3 The written report should include a clear description of the data used and an indication of the extent to which the actuary has relied on information or opinions provided by others. The actuary should carry out appropriate investigations to assess the accuracy and reasonableness of the data being used.. The report should state whether the actuary is satisfied or has any reservations about the reliability of the data.
 - 2.4 The written report should state clearly the methodologies that have been adopted by the actuary. A statement should be made as to the extent to which there have been changes to the methodologies used since the last report of a similar nature.
 - 2.5 The written report should state clearly all the demographic and economic assumptions which have been made explicitly or implicitly. A statement should be made as to the extent to which there have been changes to the assumptions used since the last report of a similar nature.
 - 2.6 Where a written report makes recommendations it should include such information and discussion about each relevant factor and about the results of the actuary's investigations, as may be necessary to enable the recipient of the report to judge the appropriateness of the recommendations and the implications of accepting them.

- 2.7 Where the report is being prepared in regard to technical reserves for statutory accounts or returns to a supervisory authority, the actuary should be aware of, and give due recognition to, any relevant accounting principles, national statutory requirements or European Community directives.

November 1992

Groupe Consultatif
Recommended Practice
General Insurance

1. Introduction
 - 1.1 These notes have been produced for the guidance of fully qualified members of the professional actuarial bodies located within the European Community (referred to hereinafter as actuaries) providing actuarial advice orally or in writing about general insurance. It is expected that if the oral advice is important it should be confirmed in writing.
 - 1.2 Should there be any conflict, these guidance notes are recommended practice and do not take precedence over the professional code of conduct or professional guidance notes which may be in operation in individual countries as required by the appropriate professional bodies, but offer basic general guidance which actuaries from all countries within the EC can adopt to bring a degree of consistency in approach.
 - 1.3 These guidance notes apply to any actuary providing formal general insurance advice, either as an employed actuary or as a consultant, within any country in the European Community.
2. Guidance
 - 2.1 Actuaries providing advice should either have the appropriate knowledge and experience of the subject concerned or have formal recourse to those who have such knowledge and experience. This knowledge includes methodology, relevant legislation, local conditions and, where applicable, any professional code of practice in the country concerned.
 - 2.2 A written report should make it clear to whom the report is directed, by specifying the client or principal, and the purpose and scope of the assignment. It should also state the name and qualifications of the actuary or actuaries providing the report and be signed by them personally.
 - 2.3 The written report should include a clear description of the data used and an indication of the extent to which the actuary has relied on information or opinions provided by others. The actuary should carry out appropriate investigations to assess the accuracy and reasonableness of the data being used. The report should state whether the actuary is satisfied or has any reservations about the reliability of the data.
 - 2.4 The written report should state clearly the methodologies that have been adopted by the actuary. A statement should be made as to the extent to which there have been changes to the methodologies used since the last report of a similar nature.
 - 2.5 The written report should state clearly all the assumptions which have been made explicitly or implicitly, for example, the level of future inflation which has been used in setting claim reserves or premium rates. If future investment income has been allowed for in assessing claim reserves and/or premiums either implicitly or explicitly, this should be stated together with the assumed rate of return. A statement should be made as to the extent to which there have been changes to the assumptions used since the last report of a similar nature.
 - 2.6 Where the written report makes recommendations it should include such information and discussion about each relevant factor and about the results of the actuary's investigations, as may be necessary to enable the recipient of the report to judge the appropriateness of the recommendations and the implications of accepting them.

- 2.7 Where the report is being prepared in regard to technical reserves for statutory accounts or returns to a supervisory authority, the actuary should be aware of, and give due recognition to, any relevant accounting principles, national statutory requirements or European Community directives.
- 2.8 Written reports on reserves or on capital requirements may be produced in terms of either point estimates or ranges of acceptability. With some types of business, the conclusions will often be subject to margins of error which may be large. Notwithstanding such uncertainty, it is acceptable for the actuary to give positive opinions and provide estimates of the liabilities. The report should draw attention to the uncertainty, making it clear that the eventual outcome will almost certainly differ from any projections made; the actuary may wish to draw attention to particular unquantifiable contingent liabilities for which no explicit allowance has been made.
- 2.9 General insurance terminology includes a number of words and phrases which, although commonly encountered, are not accepted universally or are capable of different interpretations. The actuary should seek to ensure as far as possible that any such words or phrases in a report are clearly defined and will not be misunderstood.
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Groupe Consultatif
Recommended Practice
Pensions
(Revised October 1993)

1. Introduction
 - 1.1 These notes have been produced for the guidance of fully qualified members of the professional actuarial bodies located within the European Community (referred to hereinafter as Actuaries) providing actuarial advice orally or in writing to organisations providing pension benefits. It is expected that if the oral advice is important it should be confirmed in writing.
 - 1.2 Should there be any conflict, these guidance notes are recommended practice and do not take precedence over the professional code of conduct or professional guidance notes which may be in operation in individual countries as required by the appropriate professional bodies, but offer basic general guidance which actuaries from all countries within the EC can adopt to bring a degree of consistency in approach.
 - 1.3 These guidance notes apply to any actuary providing formal pension benefits advice, either as an employed actuary or as a consultant, within any country in the European Community.
2. Guidance
 - 2.1 Actuaries providing advice should either have the appropriate knowledge and experience of the subject concerned or have formal recourse to those who have such knowledge and experience. This knowledge includes methodology, relevant legislation, local conditions and, where applicable, any professional code of practice in the country concerned.
 - 2.2 A written report should make it clear to whom the report is directed, by specifying the client or principal, and the purpose and scope of the assignment. It should also state the name and qualifications of the actuary or actuaries providing the report and be signed by them personally.
 - 2.3 The written report should include a statement of benefits which have been valued, either in summary, or by reference to appropriate documents. Reference should be made to the extent to which allowance has been made for discretionary increases in benefits, and whether there has been a recent practice of granting such increases.
 - 2.4 The written report should include a clear description of the data used and an indication of the extent to which the actuary has relied on information or opinions provided by others. The actuary should carry out appropriate investigations to assess the accuracy and reasonableness of the data being used. The report should state whether the actuary is satisfied or has any reservations about the reliability of the data.
 - 2.5 The written report should state clearly the methodologies that have been adopted by the actuary. A statement should be made as to the extent to which there have been changes to the methodologies used since the last report of a similar nature.
 - 2.6 The written report should state clearly all the demographic and economic assumptions which have been made explicitly or implicitly. A statement should be made as to the extent to

which there have been changes to the assumptions used since the last report of a similar nature.

- 2.7 Where a written report makes recommendations it should include such information and discussion about each relevant factor and about the results of the actuary's investigations, as may be necessary to enable the recipient of the report to judge the appropriateness of the recommendations and the implications of accepting them.
- 2.8 The written report should include a statement of the rates of contributions payable during the latest intervaluation period and a commentary on any material developments during such period and on any significant variations in experience from the assumptions made at the previous valuation.
- 2.9 Where external assets are held the written report should comment on the nature of the assets held to back the liabilities and if it is considered that the investment policy is or may become inappropriate to the form and incidence of the liabilities.
- 2.10 Where appropriate the written report should state whether the assets were sufficient at the valuation date to cover the liabilities in respect of all accrued benefits. If they were not sufficient, the written report should indicate the level of coverage. Reference should be made to any reinsurance arrangements or insolvency insurance.
- 2.11 Where appropriate the written report should state whether and in what way new entrants have been taken into account in the assessment.
- 2.12 Where appropriate the written report should recommend an appropriate level of contributions for the period until the next valuation. If the contribution rate is already defined in legislation, or in the rules of the scheme, the written report should comment on whether this rate is adequate. Where the assets at the valuation date were insufficient to cover the accrued liabilities, the written report should state the period over which it is intended that the recommended contribution rate should achieve full coverage of the accrued benefits.