

ACTUARIAL ASSOCIATION OF EUROPE
INSURANCE COMMITTEE MEETING

13 JULY 2020

Participants:

Tony O’Riordan – chair
Lauri Saraste – vice-chair
Kristoffer Bork – chair IFRS17 WG
Siegbert Baldauf – chair SII WG
Michael Bamberger
Loes de Boer
Conor O ‘Byrne
Valéry Jost – chair Consumer Protection WG
Reinhold Kainhofer
Daphné De Leval
Philippe Demol
Nils Dennstedt
Declan Lavelle – chair NLWG
Christos Loucaides
Aitor Milner
Giovanni Sammartini
Ksenija Sanjkovic
Kartina Tahir Thomson

Agenda

1. IFRS17

Kristoffer updated on the role of the actuary in IFRS 17 and other developments, as follows:

- Terms of reference have been updated and in draft – these will be for approval in October with other Working Group ToRs
- The WG had reached out to MAs re role of actuary – most associations are in favour but local considerations differ. The context in which the role would be implemented differs. The WG recommends that there should be a required role in companies and in auditors but the structure, particularly in companies, should be accommodated to local considerations.
- June 25 – IASB published final amendments to the standard. Changes are limited. The endorsement process will now start, and AAE will be looking to influence in relation to actuarial roles.

2. Solvency II

Siegbert updated on work since the Spring meeting, as follows:

- The 2020 review timetable has been extended to end year. AAE will continue to make points in relation to some of the key issues, particularly extrapolation, VA, risk margin and interest rate stresses.
- A new data request in support of the Holistic Impact Assessment has been issued to companies following Covid-19.
- A review has been initiated by EC with response due by 21 October. This is not as technical as the EIOPA consultation and the Solvency II WG will lead collation of response. Comments are sought for end September from IC members.
- A second consultation has been issued by EIOPA re methodological principles vav stress testing. Feedback is sought for 2 Oct. Comments are sought by 7 August from IC members.
- ESG disclosure consultation has been issued by ESAs with 1 Sept response date. IC members are asked to provide comments by 10 August.

Daphne mentioned an exercise being conducted in Belgium relating to Covid-19. Regulator is looking for 2 scenarios to be addressed, separate to the ORSA and prior to year end. We will collate information on COVID-19 specific regulatory requirements in other countries.

There was a discussion re recent IAA paper on liquidity risk management. We will consider issuing request to MAs on liquidity risk management issues in their countries.

3. Low interest rates working group

The Working Group is preparing a paper presenting key findings and messages of the survey completed earlier in the year, to be available for the October meeting. This paper could be addressed to European authorities and/or MAs, and should answer the following questions:

- What are the medium / long term risks of protracted low rates for insurers?
- What are the obstacles/benefits of current regulation? How to move to a more resilient system?
- What indicators / tools should be promoted at the micro and macro level?

4. Costs and past performance – profit participation business

Valery updated on the recent survey and contact with EIOPA. EIOPA is looking for a framework to define return on profit participation business. The Consumer Protection WG issued the survey to illustrate and better understand figures submitted by companies to EIOPA for its cost and past performance survey. Responses were received from France, Germany, Catalonia, Italy. EIOPA is looking for findings from the survey shortly. They will then look to reflect this in the upcoming information request.

Hybrid products – have most of countries but not Luxembourg, Belgium, Austria which all have material business in this area. Reinhold mentioned that he would ensure an Austrian response would be prepared.

Profit participation – no response from Hungary, Poland

5. COVID-19

Tony updated on the paper prepared by AAE on COVID-19 and the contacts made and discussions held to date with EIOPA on insurability and systemic risks. Further work will be required in this area. See also comment in 2 above re regulatory requirements.

6. Sustainable finance

Consultations are underway on sustainable finance strategy (EC) and ESG disclosure (EIOPA - see 2 above). AAE will respond to both. Policymakers are looking for quick progress in this area and prescribed industry reporting is coming quickly. Companies have not yet in most cases initiated work on ESG reporting. Climate change issues and reporting will also need to be addressed in actuarial function work.

7. Non-life issues

The Non-Life WG provided input to an EIOPA questionnaire on Climate Risk and Pricing which was finalised in early July. The WG is represented on the Climate Index WG and is supporting its work to consider development of a European Actuarial Climate Index.

The WG has provided input to the work of the Solvency II WG on the 2020 review. No specific non-life issues are as material as the items mentioned in 2 above.

A Risk Mitigation Techniques (RMTs) subgroup has been working on formalising a document which highlights difficulties in interpreting the regulations around RMTs, and drafting a questionnaire on the subject which will be sent to MAs.

8. Consumer protection working group

Valery updated. There was no further update on PRIIPS, though new developments expected soon.

9. Update on AAE/EIOPA meeting 9 July

Tony updated briefly on discussions with EIOPA which covered Solvency II, IFRS 17, insurance digitalisation, costs and past performance and COVID-19.

10. Other business

- Response to EIOPA information request on pricing in the context of climate change was submitted to EIOPA on 4 July following circulation to IC
- AAE prepared a response to EC publication "**Best practices in relation to relief measures offered to consumers and businesses in the context of COVID-19 crisis**"
- IC webinar will take place on 15 September. Subjects to be covered are IFRS17, COVID, Solvency II and Sustainable Finance
- Tony and Lauri have been reappointed to EIOPA's IRSG for a 4 year term.
- The EAN on ESAP3 has now been published