

Actuarial Association of Europe – Risk Management Taskforce

Date & Time: 4th April 2017, 10.00 CET

Chairperson Gábor Pásztor (GP) Hungary

Present

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| Danielle O’Sullivan (minutes) | (DOS) | Ireland |
| Karel Goossens | (KG) | Hungary / AAE |
| Kartina Thompson | (KT) | UK |
| Loes de Boer | (LdB) | The Netherlands |
| Roberto Muscogiuri | (RM) | Italy |
| Eddy Vandenborre | (EV) | Belgium |
| Aitor Milner | (AM) | Spain |
| Frank Schiller | (FS) | Germany |
| Zana Kraucenkiene | (ZK) | Lithuania |
| Ana Martins Pereira | (AP) | Portugal |

| | Notes | Actions |
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| 1 | <p>Opening Remarks</p> <p>GP opened the meeting and thanked all participants for attending. He outlined that the purpose of the meeting was to start the face to face interactions of the taskforce, to exchange information about the status of risk management at member association, European and international level, to share opinions and ideas about what the taskforce could consider. He noted that a key task for the day was to define the main objectives of the taskforce and what could be achieved in advance of the meetings in September where the re-organisation of the AAE’s committees would be finalised.</p> | |
| 2 | <p>Introduction Circle</p> <p>All participants at the meeting were asked to introduce themselves in turn and to give some background to the status of Risk Management in their members’ associations.</p> <p>The degree to which actuaries are working in risk management varies considerably by country. The idea of standardisation of risk processes was discussed, e.g. risk reporting, ORSA processes etc., however it was also agreed that to be effective, risk management needs to be firm-specific and therefore cannot be completely standardised.</p> | |

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| | <p>There was a general theme that while actuaries have a quantitative skill set that could benefit the area of risk management actuaries can be perceived as being poor at the communication and qualitative aspects of risk management. The taskforce could be an opportunity to change that perception. It is generally agreed that the analytical skills of actuaries can make the difference.</p> <p>It was mentioned that actuaries are considered to be expensive and that therefore the added value of actuaries in risk management has to be demonstrated. The need to involve senior management in the practical application of risk management was also mentioned. Actuarial skills could also be beneficial in raising the profile of risk management with senior management.</p> <p>Differing views taken by local regulators were discussed. It was considered if this was an area that the taskforce could be of use, particularly on topics related to Solvency II given its Europe wide remit.</p> <p>A range of potential objectives of the taskforce were discussed, e.g. developing a similar body to those in the 6 member associations with a dedicated Risk Committee; to gather knowledge from insurance to use in pensions risk management; promotion of actuaries etc.</p> | |
| 3 | <p>Objectives of the Task Force</p> <p>There is a need to define the framework and objectives of the Task Force in line with the strategic objectives of the AAE. The discussion referred to the conclusions of the Round Table on Risk Management of last year and the intention of the officers to build on those. Task Force decided to focus on those topics where members see real possibility to achieve concrete results/products in the available time frame.</p> <p>In the end the following three objectives were agreed upon:</p> <ol style="list-style-type: none"> 1. Knowledge sharing; 2. Promoting consistent approaches in Risk Management; and 3. Promoting actuaries in Risk Management <p>These three objectives were then discussed in further detail with sub-groups for each objective allocated.</p> | |

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| <p>4</p> | <p>Task Force on Risk Management (for insurance and pensions).</p> <p>It can be observed that the Task Force includes mainly experts in risk management for insurance. It is the intention to create a transversal group where actuaries can exchange best practice and common methodology and at the same time benefit from risk management experience in different areas. It is therefore important that the RM initiative from the AAE also includes pensions experts with interest in Risk Management.</p> <p>KG outlined the new IORP II pension legislation, explaining that it is essentially the pillar II and III components of Solvency II but for pension funds. The legislation refers to both the actuarial function (which already exists) and the risk management function, which would be a new area. He noted that lessons learned from the Solvency II for insurance could be taken into account and that the involvement of actuaries in risk management for pensions can be promoted from the beginning.</p> <p>This topic is relevant for all three objectives and should be considered by all. KG noted that, to date, he has struggled to get pensions representatives to join the taskforce and he asked that each member of the taskforce liaise with their local member association to try to find those pensions representatives. These taskforce members would hear risk management challenges/best practices first hand and could play a key role in speaking to regulators about the involvement of actuaries in the implementation of IORP II.</p> | <p>ALL</p> |
| <p>5</p> | <p>Promotion of actuaries in Risk Management</p> <p>The key task for this objective is to compile a plan of actions that could be implemented to promote actuaries as risk managers. As part of this plan a position paper is to be compiled.</p> <p>A key challenge for this objective is to decide what we want to say and then how we want to say it, e.g. different media etc.</p> <p>This position paper should outline why you would have an actuary (over a non-actuary) in the role of CRO. It should discuss what a good risk manager looks like (starting from the paper prepared by the IFR committee prepared and communicated to EIOPA – see annex) and address common challenges to actuaries in the role of risk management, e.g. perception of being poor communicators, expensive etc.</p> <p>It may be beneficial to have an outside view of what good risk managers look like, e.g. from CEOs, as well as a statement from actuaries currently working in risk management as to why they work there and what they like about it.</p> <p>The paper could also tackle what ‘proper’ risk management looks like and could propose principles for good risk management.</p> <p>It was agreed that all taskforce members are to go back to their member associations to gather feedback on what should be included in the position paper.</p> <p>It was then be the task of the sub-group to compile a first draft. KT, FS and LdB volunteered for this sub-group with FS to be the appointed contact.</p> | <p>ALL</p> |

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| 6 | <p>Knowledge sharing</p> <p>It was agreed that a common area, e.g. on the AAE website, to share information could be a good quick win, e.g. link to the Irish societies ERM database, details of events being help in member associations etc.</p> <p>Understanding the standard(s) applied at each local level could also be a key part of the knowledge sharing and would overlap with the Promoting consistent approaches objective.</p> <p>ZK, DOS and AM volunteered for this sub-group and have a key task of developing a proposal of how the knowledge sharing could work long term. DOS was appointed as the contact to provide feedback on the sub-group's progress to GP.</p> | |
| 7 | <p>Promoting consistent approaches in Risk Management</p> <p>A number of Solvency II related topics were discussed where looking at the consistency of approach across Europe could be of benefit, in particular: Loss absorbing capacity of deferred taxes, interest rate transitional measures, contract boundaries, boundary between risk management and the actuarial function and CRO-CFO-AFH interaction model in the 3 lines of defence etc.</p> <p>It was agreed that all taskforce members were to go back to their member associations to gather a list of items that they have experienced as being ambiguous or treated inconsistently across various firms and regulators, and between General and Life insurance.</p> <p>The idea of a survey was discussed to gather further information from AAE members working in risk management and it was also noted that the ESAPs and the IANs should also be considered to ensure work isn't duplicated.</p> <p>A CRO conference was also discussed. The conference would be used to understand the expectation of members from the AAE. An article about the conference could be included in the AAE magazine(TEA) to encourage attendance.</p> <p>Two sub-groups were assembled for this objective. The first, consisting of GP, ZK and AP, was tasked with co-ordinating and compiling the full list of topics under the promoting consistent approaches objective. ZK was appointed as the contact for this subgroup.</p> <p>The second sub-group, consisting of KG, KT and RM, was tasked with the CRO conference. KG was appointed as the contact for this subgroup.</p> | ALL |
| 8 | <p>Next steps</p> <p>After the sub-groups were assembled the next steps were discussed and agreed. It was questioned whether or not a terms of reference for the taskforce is required. It was agreed that GP and KG would draft the terms of reference.</p> <p>Members of the taskforce that were unable to attend the meeting but would like to participate in a sub-group should be allocated to a sub-group of their choice. GP to contact these taskforce members and sub-groups to be finalised by the beginning of May.</p> <p>It was noted that KG would report on the status of the taskforce to the officers group and to the SFPC in May.</p> | <p>GP&KG</p> <p>GP</p> <p>KG</p> |

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| | <p>It was agreed that there should be a call to get an update from the sub-groups at the beginning of June and that the next face to face meeting should take place at the end of June or beginning of July.</p> <p>There are three actions from the meeting for all taskforce members to discuss with their local member associations. Members should aim to feedback on these actions as soon as possible and no later than the next taskforce phone call.</p> <p>There being no other business GP brought the meeting to a close.</p> | <p>ALL</p> |
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