

MINUTES
OF THE MEETING OF THE
INVESTMENT AND FINANCIAL RISK COMMITTEE
HELD IN COPENHAGEN ON FRIDAY 22 SEPTEMBER 2017

Present:

- Members of the Committee and Observers
- Christoph Krischanitz – Chairman

The participants list is attached as **Annex 0.1**.

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

The Chairman welcomes members and observers of the Committee to Copenhagen, and thanked the Danske Aktuarforening for hosting the meeting.

There were no further additions to the agenda, which is attached as **Annex 1**.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held in Málaga on 7 April 2017 were confirmed. No rejections were made by the attendees.

3. INTERNAL ISSUES

After the meeting in Copenhagen, the term of Christoph Krischanitz as chairperson of the IFRC will come to an end. The general assembly will vote for a new chairperson this afternoon, the Nomination Panel recommends Malcolm Kemp for this function.

3.1 Inclusion of the activities of the TF on Risk Management

According to an agreement among the Officers the current structure of the committee should be changed to incorporate the activities of the Task Force on Risk Management.

IFR Committee (currently)

- Technical approach
- Investment/financial risk; ERM
- Banking, asset management
- Comments to regulatory purposes
- Contacts to European institutions

- especially EIOPA, EBA, ECB
- failed to get contacts from ESMA

Task Force on Risk Management (currently)

- Professional approach
- Risk management
- Insurance (and pensions)
- Platform for risk managers
- Contacts to RM organisations

The Committee will consider, from the point of view of the actuarial profession, to set the focus on risk management topics in the wider sense. Therefore, the key topic for the IFRC to move forward is Risk Management.

There was a discussion about how we can organise topics:

Input from the UK

- Research / thought leadership committee
 - People tend to focus on either Financial Risk or Risk Management
 - In the UK, some of the consultation responses should focus on both parts
- CRO group is one possible structure
- Focus on risk roles and the category on risk
- Education syllabuses, etc lead to an educational profession
 - Not only on student level but also on CPD-level
 - Capture syllabuses might be not so easy on AAE level
- Actuarial profession: not exactly the same as risk management roles
- Relevant to the AAE: to produce documents with an Actuarial point of view
- Other areas: create a framework for actuarial and risk roles such as risk manager roles
 - Targeting to an informal network
 - Relevance to the AAE for the European structure
 - UK focuses on the asset side
 - For the AAE a finance and risk view
- Capture more the asset management topics in this committee

Input from Italy

- Sub-activities for Insurance, Pensions, ERM and Financial risk
- Committee structure in Italy could be applied to those four topics
 - Focus on all topics even there are separate committees
 - Committee structure
 - No working groups
 - Task forces upon requests for topics
 - Risk and Finance are together
- Current structure works very well so far
 - Financial topics are raised frequently
- ERM is a part of the Risk Management committee
- The Italian actuarial society works very well so far for Italy after they have opened themselves to the market
- This can be used for the doing communication in the future

Input from Germany

- Specific members are heading topics with working groups

- Decision on the working group based upon needs and topics
- Task forces are the same as working group
- Sub-committees are in place as well

Across company hierarchies

- From first-line to second/third-line risk manager (similar as front to back office)

Open discussions and questions

- Education on risk management is not European driven and so more a matter for the IAA rather than the AAE
- We need to focus on topics to open the market
- Shall we have sub-committees?
- Task Force of 30 people to think about Risk Managers in addition to the committees to discuss Risk manager's topics
- According to an AAE survey about 5 thousand actuaries working in risk management in Insurance companies looking at this committee for guidance
- Actuaries need to take part of the role of a risk managers
- Good communication for the members, who have been there at the committee
 - Representing in meetings
 - Communication via emails, etc

Recommendation

As the term of the current chairperson ends directly after this meeting it is up to the new chairperson to define a structure which provides high engagement of the participants and grant for valuable output. Under the condition that the General Assembly will follow the recommendation of the Nomination Panel, Malcolm Kemp will approach every Committee and Task Force member to get their personal opinion and will provide a suggestion for the organisation of the new Committee at the next Committee meeting in spring.

3.2 Change of the name

As the names of the Committees are stated in the statutes of the AAE the IFRC has no mandate to change its name. But the discussion suggested recommending to the Board of Officers to initiate a change in the name from "Investment and Financial Risk Committee" to "Risk Management Committee"

3.3 Terms of references

The proposed terms of references were discussed and approved without changes.

3.4 Strategic review

Gabor Hanak presented the current version of the vision, values, mission and strategic objectives of the AAE, as they were prepared for approval in the General Assembly.

4. **CLOSED PROJECTS**

Christoph Krischanitz pointed to the AAE response to the EIOPA Discussion paper on the review of specific items in the Solvency II Delegated.

5. **OPEN/ONGOING PROJECTS FROM THE IFRC**

5.1 MC Web portal

Christoph provided a report by Thomas Viehmann (chairman of the webportal Sub-group) who questioned the success of the webportal-project because of limited engagement of the persons in charge for each country. Christoph suggested to stop the project.

✓ Decision: Project “MC Web portal” will be stopped.

5.2 UFR and low interest rate

- Christoph reported that EIOPA raised technical questions about the backtesting of negative interest rate models. The Task Force which has written the “negative interest rate”-paper (Malcolm Kemp, Philip Keller, Bertrand Lespinasse and Christoph) gave an answer during summer, but new ideas arose to think deeper about patterns of interest rate movements. This topic will be left to the new Chairperson.
- At the same time the Insurance Committee discussed the influence of negative interest rates on lapse rates in life insurance.
- Eduardo, Alexander and Zana expressed interest in being involved in further activities of the Committee.

5.3 Capital Market Union

No news and nothing to discuss at this point.

5.4 Banking Union

Nothing to discuss.

5.5 Recent increase in long-term interest

No discussion to this issue.

5.6 EIOPA Financial Stability Report

Nothing to discuss.

5.7 EIOPA Risk Dashboard

Nothing to discuss

5.8 Consultation paper on revised draft ITS on mapping Solvency II

Marcin commented that only very few companies have a rating, the focus is on governmental entities, we are welcoming the additional rating agencies and it is hard to form a view from here. No action is proposed.

5.9 Duration of an insurance contract

Christoph presented some ideas stemming from the problem that duration matching does not work properly when cash-flows have alternating signs. For valuation purposes premium income is always seen as a negative liability but that is not the right view for risk management purposes.

Christoph will write a two-pager in the coming weeks, which will be discussed in the spring meeting of this Committee.

6. **OPEN/ONGOING PROJECTS FOR THE TASK FORCE ON RISK MANAGEMENT (TFRM)**

Gabor reported on the activities of the Task Force. There were 5 working groups active:

- Promotion of actuaries in Risk Management
- Knowledge sharing

- List of topics under the promoted consistent approach
- CRO conference
- Discussion how to include pension topics to the TF

These working groups shall remain active also in the new structure, maybe additional members could join from the IFRC. The Task Force usually meets twice a year and the working groups are very active. The objectives of these working groups (and the task Force at all) was to encourage discussion and collecting information among the members and to avoid silo thinking.

7. **MEETING WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS**

No comments were received.

8. **EXCHANGE OF INFORMATION ON CURRENT ISSUES**

No comments were received.

9. **ANY OTHER BUSINESS**

Christoph mentioned the ICA 2018 in Berlin.

10. **NEXT MEETING**

The next meeting will take place on 4 May 2018 in Warsaw, Poland on the kind invitation of Polskie Stowarzyszenie Aktuariuszy.