



ACTUARIAL ASSOCIATION OF EUROPE

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MINUTES of a meeting of the **INSURANCE COMMITTEE** held in Nicosia on 11 March 2016

PRESENT

Committee:

Esko Kivisaari (Chairperson)

Bruno Kokken

Mike Poulding

Christos Loucaides

Jan Svab

Lauri Saraste

Matthias Pillaudin

Wilhelm Schneemaier

István Kerényi

Tony O'Riordan

Evaldas Valeisa

Peter Franken

Ana Maria Martins Pereira

Florin Ginghina

Kartina Thomson

Siegbert Baldauf

Ad Kok

Michael Lucas

Suomen Aktuaariyhdistys

Institut des Actuaire en Belgique / Instituut van Actuarissen
in België

Channel Islands Actuarial Society

Cyprus Association of Actuaries

Ceská Společnost Aktuárů

Suomen Aktuaariyhdistys

Institut des Actuaire

Deutsche Aktuarvereinigung

Magyar Aktuárius Társaság

Society of Actuaries in Ireland

Lietuvos Aktuarijų Draugija

Het Koninklijk Actuarieel Genootschap

Instituto dos Actuários Portugueses

Asociația Română de Actuarial

Institute and Faculty of Actuaries

Solvency II project manager

Chief Executive, AAE

Secretary-General, AAE

Members of the General Assembly and other Committees:

Christoph Krischanitz

Demosthenis Demosthenous

Ioanna Panti

Aktuarvereinigung Österreichs

Cyprus Association of Actuaries

Cyprus Association of Actuaries

Karel Goossens	Institut des Actuairens en Belgique / Instituut van Actuarissen in België
Kristoffer Bork	Den Danske Aktuarforening
Thomas Béhar	Institut des Actuairens
Dieter Köhnlein	Deutsche Aktuarvereinigung
Michael Renz	Deutsche Aktuarvereinigung
Gábor Hanák	Magyar Aktuárius Táraság
Philip Shier	Society of Actuaries in Ireland
Anne Sundby Magnussen	Den Norske Aktuarforening
Malcolm Campbell	Svenska Aktuarieföreningen
Lutz Wilhelmy	Association Suisse des Actuairens
David Hare	Institute and Faculty of Actuaries
David Martin	Institute and Faculty of Actuaries

Apologies for absence:

Angel Videnov	Bulgarian Actuarial Society
Ksenija Sanjkovic	Hrvatsko Aktuarsko Društvo
Anu Hoop	Eesti Aktuaaride Liit
Vassilis Aggelou	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Felag Islenskra Tryggingast Aerdfraedinga
Giovanni Sammartini	Consiglio Nazionale degli Attuari
Claudio Tomassini	Istituto Italiano degli Attuari
Baiba Močāne	Latvijas Aaktuāru Asociācija
Ikram Shakir	Association Luxembourgeoise des Actuairens
Jean-Paul Shipley	Malta Actuarial Society
Robert Pusz	Polskie Stowarzyszenie Aktuariuszy
Nenad Milikic	Udruženje Aktuara Srbije
Maria Kamenarova	Slovenská spoločnosť' aktuárov
Pavel Gojkovic	Slovensko Aktuarsko društvo
Maria Jesus Romero	Col.legi d'Actuaris de Catalunya
Andrés Lerner	Instituto de Actuaries Españoles
Taylan Matkap	Actuarial Society of Turkey
Elena Markova	Society of Actuaries of Ukraine

1. Opening of the Meeting and Adoption of the Agenda

- 1.1 The Chairman welcomed members to Nicosia, particularly those for whom it was their first meeting. He acknowledged the Committee's thanks to the Cyprus Association of Actuaries for

hosting the meeting.

- 1.2 The agenda, as circulated, was adopted and a copy is attached to these minutes as **Annex I**.

2. Minutes of Previous Meeting

The Minutes of the meeting of 24-25 September 2015, held in Bucharest, were confirmed. It was also noted that teleconferences were held on 8 December 2015 and 8 February 2016.

3. Update on European agenda

The Chairman gave a presentation (attached to these minutes as **Annex II**, slides 2-30) summarising the European agenda as it affects the financial services sector. He highlighted:

- economic uncertainty continues
- low interest rates
- regulatory landscape, including impact of regulation and new policies on companies, customers and the economy
- Commission targets for financial markets, including Green Paper, infrastructure investments and Capital Markets Union
- Euro-area crisis management

Lutz Wilhelmy also referred to the role of ESRB in relation to guarantee schemes. Tony O’Riordan drew attention to the increasing prominence of consumer protection, and emphasised that AAE should seek to contribute where actuarial issues are involved – although he recognised that it may not always be possible to reconcile divergent national views. Philip Shier pointed out that the Officers would decide quickly which Commission/EIOPA consultations the AAE should respond to, inform member associations and invite input as appropriate.

4. Actuarial Standards

- 4.1 Gábor Hanák presented a report from the Standards Project Team (SPT), highlighting the following points –

- adoption of ESAP2 by the General Assembly, and promulgation to member associations.
- comments received on the Exposure Draft of ESAP3 which showed a significant degree of pushback: this item is discussed separately at minute 3.2 below.
- progress with other ESAPs, in particular ESAP5 where it is proposed to undertake a survey of member associations to ascertain the different interpretations and requirements of “independent review” under different jurisdictions (approved by SFPC on 10 March).
- a proposal to submit comments on ISAP1A from AAE: a draft response is in

preparation and will be circulated to the Committee for review and sign-off by the Chairman. It was noted that, if ISAP1A is adopted by IAA, we will need to revise ESAP1.

- an updated work-plan for the SPT.

4.2 David Hare, who leads both the ESAP3 task force and the EAN drafting group, described in more detail the feedback on the Exposure Draft of ESAP3. He pointed out that, while some respondents were happy with the ED, a number of significant concerns had been expressed which suggested that major changes were required. He emphasised that the purpose of the EAN is to help all those (not just actuaries) involved in implementing an ORSA under ESAP3, with additional information and best practice which are not required in the standard. The structure of the EAN will be consistent with the structure of ESAP3. Key issues to be addressed included -

- scope is not clear; there is confusion about when / to whom / to what work various parts apply; in particular, it was felt that the ED does not address well enough its application in the case of an individual actuary acting as a member of a multi-disciplinary team, possibly in a minor role;
- too much material on non-core and too little on core actuarial work for some respondents;
- not sufficiently principles-based - too burdensome and detailed; difficult to apply in a proportionate way (although there are comments requesting more details as well)
- contains a mixture of hard requirements ("should"s, or mandatory provisions) and soft guidance ("may"s)
- difficult to enforce - it may be better to have more of a distinction between requirements and guidance

David noted that SFPC had agreed that the SPT and the ESAP3 task force should revise the ED, retaining the current structure, but taking account of the comments received – particularly to distinguish between requirements and guidance. This will mean the transfer of some material from ESAP3 to the EAN, subject to observance of due process for EANs. At the same time, links between ESAP3 and ESAP1 will be strengthened in order to ensure consistent usage of must/should/may.

Gábor pointed out that the ESAP3 task force believes it is important that sufficient informal consultation has taken place with member associations in order to achieve a shared view across Europe of what the ESAP should include before another ED is issued for formal consultation. He outlined the proposed timetable for this informal consultation which he hoped would allow a revised ED to be submitted to SFPC at its next meeting, in September. If approved at this meeting, there would follow a three month formal exposure period and

discussion of the responses to this at the Spring 2017 meeting. Thereafter, if no major issues had arisen, there would be an electronic vote by the General Assembly for adoption of the standard.

5. **Non-Life Issues**

Kartina Thomson, who leads the non-life issues group set up at the last meeting, gave a presentation outlining the group's main areas of activity (attached to the minutes as **Annex III**, together with the presentations listed below). She highlighted the group's topic list and Terms of Reference, and members of the group presented the following issues in more detail –

- cyber risk and cyber security (Kartina) – see also separate presentation by Lutz Wilhelmy (minute 18 below)
- geo-blocking (Matthias Pillaudin) – Esko noted the relevance of this issue to the Green Paper on retail financial markets, and suggested that it might be worth submitting a response based on the group's work
- non-life market conditions (Peter Franken) – in discussion it was suggested that reinsurance aspects should also be included
- reserve risk methodology (Dieter Köhnlein)

Esko congratulated Kartina and the working group on their work.

6. **Solvency II**

6.1 Siegbert Baldauf and Lauri Saraste gave a presentation (attached to the minutes as **Annex IV**) in which they gave an overview of the Solvency II project and plan. Siegbert emphasised the intention that the project team will be proactive, particularly with input to EIOPA. He also highlighted the need for additional volunteers to join the working groups.

6.2 Siegbert gave a second presentation (attached to the minutes as **Annex V**) which examined in greater detail the issues which follow the implementation of Solvency II on 1 January. These included –

- EIOPA annual work programme
- reporting, disclosure and review
- amendments of delegated regulation still pending
- EIOPA stress test

7. **Low interest rate environment**

Esko gave a brief introduction (slides 26-29 of **Annex II**). Wilhelm Schneemeier referred to his report at the last meeting in which he presented a summary of initial responses to the survey carried out by the task force. He presented an updated review which included responses from a further 7 countries, together with a more detailed analysis of a selected

cross-section.

A number of points were made during discussion, including –

- the possible need for recalculation of transitionals
- the scale of the problem in financial terms will become clearer at the end of Q1
- whether account should be taken of negative interest rates and, if so, how: Karel Goossens reported that the Belgian association is starting to look at the impact of negative interest rates on the profession
- links to the ultimate forward rate (UFR) – see next item (minute 8) – although low interest rates will be discussed in a separate paper from the possible UFR paper

8. Ultimate forward rate (UFR)

Esko referred to his brief background paper. He pointed out that EIOPA will be addressing the question of UFR, and he reported that this issue had been discussed briefly with Sven Giegold MEP in December (see minute 19.2 below). Siegbert addressed the key issues in more detail in a presentation which is attached to the minutes as **Annex VI**. Esko emphasised the importance of clarifying for stakeholders what the UFR is and what its impact is. In particular, politicians should be made aware of how it is affected by negative interest rates, and its interconnection with economic growth expectations. He noted that pensions are also affected by UFR, and there cannot be different UFRs for pensions and insurance.

It was agreed that Esko will discuss further with Wilhelm, Siegbert, Thomas and Christoph how to develop the AAE position on low interest rates and UFR. Christoph indicated that he will also raise this issue at the forthcoming meeting of the Investment and Financial Risk Committee.

9. EIOPA Insurance and Reinsurance Stakeholder Group (IRSG)

Esko gave a short presentation (slides 35-37 of **Annex II**) on the structure and work of the IRSG, based on discussions with Annette Olesen. Tony O’Riordan was congratulated on his appointment as a member of IRSG.

10. EIOPA consultation on Personal Pension Products

Esko gave a short presentation (attached to the minutes as **Annex VII**), highlighting the key aspects of this consultation, and he encouraged members to submit comments (by 6 April). He drew attention to a previous EIOPA consultation on a standardised Pan-European Personal Pension product in 2015, the AAE’s response to which would provide a useful starting point for drafting our response to the current consultation. Thomas Béhar confirmed that he is willing to assist with drafting the response.

11. EIOPA initiative on infrastructure investments

The report by Christoph Krischanitz on the EIOPA Roundtable on Infrastructure Investments on 12 February 2016 was noted. Christoph drew attention to a further EIOPA consultation paper expected in early April and another stakeholder event in late May/early June.

12. IAIS Global ICS initiative

Esko gave a brief overview of developments in relation to the IAIS proposals to develop a global Insurance Capital Standard (see **Annex II** slides 30-34). See also the latest [IAIS slides](#).

Esko pointed out that European influence in responding to the ICS proposals is limited to representatives of European IAIGs via the IAA Insurance Regulation Committee. The Committee believed that AAE should seek to provide a broader and coherent spectrum of European views which included small and medium sized undertakings, but Esko pointed out that the Committee's resources to undertake this are limited. It was agreed in the first instance that a small group (Esko, Lutz, Dieter, Siegbert, Thomas, Karel Goossens and Mike Poulding) should discuss how to progress this issue.

13. Roles of Actuaries

Karel Goossens referred to the report from the Roles of Actuaries task force, highlighting –

- difficulties in finding sufficient volunteers to take forward in full the ambitious programme and ToR
- successful work has been delivered on
 - Role of the Actuary under Solvency II and the lack of harmonization, Role of the Actuary in Risk Management under Solvency II
 - Mini survey and survey on the Roles of Actuaries under Solvency II and the presentation of the results to various stakeholders and conferences
 - Position paper on the Independent Review under Solvency II and discussion of it with FEE
 - No real input in other areas such as pensions and independence

It was noted that there is some overlap with the Standards Project Team in relation to independent review and in Risk Management. There is a need for educational and best practice material on Risk Management, and there will be a meeting of representatives from member associations who are active in this area.

14. IASB / Financial reporting issues

Esko showed a short presentation (see **Annex VIII**) summarising the IFRS insurance contracts project overview.

15. Consultation on Insurance Block Exemption Regulation

Tony O’Riordan reported that the Commission is expected to deliver to the European Parliament and Council by the end of March its recommendation on whether IBER should be extended.

16. Anti-Discrimination issues

No further developments to report at present.

17. Big data

Thomas Béhar and Matthias Pillaudin gave a presentation (attached to the minutes as **Annex IX**) describing a practical training course in Data Science for Actuaries which has been introduced by the Institut des Actuaire. They reported that there is strong demand for this course.

Esko noted that [blockchain](#) technology is likely to have a significant impact in relation to big data applications

18. Cyber risks

Lutz Wilhelmy gave a presentation (attached to the minutes as **Annex X**) describing a company perspective and approach to cyber risks.

19. Links with other organisations)

19.1 EIOPA

It was noted that a meeting was held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 18 December 2015 (not 2016 as shown on the report of the meeting).

19.2 European Parliament

It was noted that a meeting was held between Officers of AAE and selected MEPs and/or their advisers at the European Parliament in Strasbourg on 16 December 2015.

19.3 European Commission DG FISMA

A meeting arranged with the Head of the insurance and Pensions Unit of DG FISMA was cancelled at their request. However there was instead a short but constructive meeting with the member of Commissioner Hill’s cabinet responsible for insurance and pensions.

20. Review of Committee priorities

Esko referred to the current list of Committee priorities, and indicated that he will update this to reflect progress and new activities over the past six months. Members of the Committee were

invited to submit and other aspects to him as soon as possible. This will then provide input to the overall review of AAE strategy, objectives and activities.

21. Exchange of news on current issues

Esko drew attention to information received from UK and Germany (attached to these minutes as **Annex XI**).

22. Any other business

ECA 2016

Ad Kok referred to the current low number of registrations for ECA 2016 and requested assistance from associations to bring it to the attention of their members through their web sites, newsletters and other internal communications.

23. Date and place of next meeting

It was noted that the next meeting of the Committee will be held on 22/23 September 2016 in Barcelona at the invitation of Col·legi d'Actuaris de Catalunya. One or two intermediate conference calls will also be arranged on dates to be notified.