

NOTES OF A MEETING OF THE INSURANCE COMMITTEE

HELD ON THURSDAY 20TH SEPTEMBER 2018
FROM 12:30 – 17:30 IN UTRECHT, NETHERLANDS

Participants

The participants list is added as **Annex 0.1** at the end of these minutes.

Note: references to annexes displayed in **bold** are attached to these minutes. References to annexes not displayed in bold were attached to the agenda and are not included in these minutes.

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

The Chairperson welcomed the members to Utrecht and acknowledged the Committee's thanks to the Royal Dutch Association for hosting the meeting.
The agenda attached as Annex 1 was approved.

2. MINUTES OF PREVIOUS MEETING

- 2.1 The [minutes of the meeting](#) held in Lisbon 12th April 2018 were confirmed (Annex 2.1).
- 2.2 It was noted that the notes from the teleconferences held on [11th June 2018](#) (Annex 2.2a) and [5th September 2018](#) (Annex 2.2b) are available on the AAE web site.
- 2.3 On matters arising which were not covered elsewhere, Esko Kivisaari mentioned about the on-going macroprudential regulation work and reminded that there is a clear distinction between micro prudential (to protect the customer) and macroprudential (to protect the economy from the financial industry). To introduce macroprudential measures creates a new angle on the regulation/supervision. Pressure on EIOPA to consider this element relates to work done by ECB and ESMA.

3. COMMITTEE TERMS OF REFERENCE AND PLAN

- 3.1 The Committee terms of reference were approved (Annex 3.1).
- 3.2 The proposed plan for the period to September 2019 was approved (Annex 3.2). It was noted that the plan is ambitious but also that it is good that the committee has several things going on simultaneously. Generally, topics are not just dependent on AAE and it is likely that not all streams will be active all the time.

4. UPDATE ON EUROPEAN AGENDA

The Chairperson gave an update on recent developments in the European agenda mostly from what has happened in EIOPA but also in the Commission. A wide range of topics such as conduct of business, supervisory convergence, financial stability, Solvency II, PEPP, sustainability, IFRS17 was covered and it seemed that many of the actions from the Insurance Committee have been aligned to these topics.

It was noted that the new IDD set of regulation will come into force on 1st Oct. Triggers for the heightened regulatory focus on consumer protection were discussed. One aspect was that supervisors seem to have been putting a lot of focus on Solvency II/prudential type of supervision and have not been putting so much focus on the consumer protection aspect. There had been a question as to whether supervisors would start limiting premiums or capping profits but this has not been apparent. A link was seen between policyholder protection and economic growth, in that, where customer spending power is limited, private investing and trust in the financial sector will tend to be challenged. This in turn brings issues for economic growth. As both product development and innovation are playing big roles in insurance activity, Lutz Wilhelmy and Kartina Thomson suggested that the AAE might consider whether it should put more focus on policyholder protection issues. **(Action: TO'R)**

On EIOPA's role in relation to IFRS17, the understanding was that EIOPA has a keen interest in IFRS17 and the ways it might affect insurers.

5. **CONSULTATIONS**

The chairperson noted that IC has not been responsible for responses to any consultations in the past months.

6. **ACTUARIAL STANDARDS AND EAN on ORSA**

6.1 As Hillevi Mannonen was not present, Birgit Kaiser told about the work of the Standards Project Team (Annex 6.1a, 6.1b). There was some work on the due process for standards, on the ToR with some adjustments, and on the work plan. There were no new standards to consider at this time. Two EAN's, one for IORP and one for ESAP3, are in the drafting phase. A new sub group, the Actuarial Standards Subcommittee (ASSC), was established to replace the Standards Project Team (SPT).

6.2 The vice chair gave an update on the progress on the EAN on ORSA (Annex 6.2a, 6.2b). The drafting team had sent a draft version of the EAN in advance of the meeting, and the main points were presented to Committee members, highlighting links to ESAP3. The focus for this draft had been on substance rather than style.

It was agreed that the substance was good and also that it was informative with deep technical content. As an action point, making the style consistent with requirements will be the main job for the team which would benefit from being supplemented by one or two persons with a standards background. The final draft will need to have IC approval before going into the formal approval process, which may include consideration by Member Associations as well as by the Professionalism Committee. The ambition is to get the EAN finalized in April 2019 **(Action: LS)**.

7. **NON-LIFE ISSUES**

7.1 Matthias Pillaudin gave an update (Annex 7.2) on the activities of the Working Group which

7.2 included:

- 7.3
- A position paper on USP's;
 - work on risk mitigation techniques with a survey to issue;
 - work on Solvency II SCR review; and
 - consideration of climate change. Mathias outlined evidence of the change in climate and the impacts. Next steps for the Working Group include contacting the IAA re their work on the subject and considering related Life issues.

Peter Franken gave a short talk about risk mitigation techniques in Non-life underwriting. The Working Group will launch its survey (Annex 7.3), subject to Board approval, in October for completion in Q4. It was noted that the survey needs to be clear on its intent, not just on SII technicalities and interpretations. Applicability to mitigation of life risks was discussed (**Action: PF**).

There was a discussion on climate risks and how actuaries are involved, recognising that there is a requirement for different disciplines in addressing the issue. Modelling risks can be complex given difficult dependencies, e.g. houses may be built in areas that are at risk of flooding, etc.. Esko questioned whether actuaries should help society to understand this issue better, noting that it is generally the case that full implications are not communicated to the public. Kartina added that, as Sustainability is being progressed, the AAE should take a wider look at climate change as a separate topic (**Action: MP**).

Miroslav Simurda also brought up the skill aspect as new skills might be needed in insurance companies to understand this better.

8. SOLVENCY II

- 8.1 Siegbert Baldauf presented the new structure of the Solvency II Working Group and the revised
- 8.2 ToR (Annex 8.1). The chairman mentioned that Daphne de Leval has volunteered for the
- 8.3 position of vice-chair of the Working Group. It was proposed and agreed that Daphne should be
- 8.5 vice-chair.
- 8.6
- 8.7 Siegbert went through the wide set of ongoing issues where the Working Group will have involvement. Future issues to consider include interest rate risk, discount rates, risk margin and macroprudential tools (Annex 8.3a, 8.3b).

Solvency II had been a major point of discussion in the most recent AAE stakeholder meetings, with the Commission in June and with EIOPA in July.

Siegbert said that the resolution funding and insurance guarantee scheme discussion paper, to which response is due by 26 October, raises the concept of 'gone concern', which might need some technical thinking from AAE. Assumptions used in valuation could potentially differ from going concern entities as assumptions may differ in a 'gone concern' situation. This was agreed to be an area which may merit comment by the AAE in a response to the discussion paper. Peter Franken, Thomas Behar and Daphne volunteered to be involved in responding (**Action: SB**).

Siegbert spoke about the proposed structure of the work on Solvency II and the need for experts to supplement the core group. Only three people had expressed willingness to provide input to the future SII work as experts. Action needed from all IC members to think about individuals with deep Solvency II expertise who could be part of the pool of experts (**Action: All**).

Lutz asked for more transparency and to clarify the future tasks for the Working Group. This would help committee members to allocate also their possible input better to this important work. Siegbert committed to consider anticipated timelines for actions required on the various initiatives (**Action: SB**).

Esko Kivisaari reminded that a recovery plan is something that comes from the company (owning that plan) whereas resolution plans are given to affected companies. Lutz added that

resolution usually is for bigger undertakings which are of a scale that makes self-planned recovery difficult in the context of economies affected.

- 8.4 Matthias took the Committee through a survey (Annex 8.4) prepared by the Institut des Actuaire which identifies areas where Solvency II practices diverge across Europe. Though not all countries were included, the paper was considered to give a good overview of different interpretations. Elements covered where differences had been established included contract boundaries and acquisition cost calculation. Uses for the findings were discussed. It was considered that the work could be very useful information for EIOPA. Daphne volunteered to help with the future work if needed. Lauri Saraste mentioned that the paper could show more clearly that Solvency II can be applied differently because of national legislation, tax legislation, and the nature of insurance contracts **(Action: MP)**.

9. **IFRS17**

- 9.1 Daphne presented on developments in IFRS17 implementation and about the main principles,
9.2 techniques and impacts on both competition and the insurance market. It was suggested that it
9.3 would be valuable to compare Solvency II and IFRS17. Thomas Behar mentioned that some work has been done on the role of actuaries in IFRS17. He also mentioned that implementation in Europe is subject to the work being carried out on endorsement by EFRAG, with political considerations playing a part (Annex 9, 9.2, 9.3).

Gabor Hanak raised the work being done by the IAA, where a document has been produced on the role of the actuary in IFRS. This is close to adoption and in its final phase. Esko said that the work has been quite comprehensive and suggested that AAE should consider the possibility of a webinar covering aspects of IFRS17 **(Action: IFRS17 WG)**.

10. **GENERAL DATA PROTECTION REGULATION**

Kirsten Sasady briefly mentioned that AAE is aiming to have a GDPR webinar but by now no speakers have volunteered (Annex 10.1, 10.2). All IC members were encouraged to think about potential speaker(s) for the event to make it happen **(Action: All)**.

11. **NEGATIVE INTEREST RATE/IMPACT OF LOW INTEREST RATE ENVIRONMENT**

No progress as Nils Dennstedt was not present at the meeting **(Action: ND)**.

12. **PAN-EUROPEAN PENSION PRODUCTS (PEPP)**

No action for Insurance Committee for now (Annex 12).

13. **EIOPA INSURANCE & REINSURANCE STAKEHOLDER GROUP (IRSG)**

Chairperson and the vice-chair participated in the IRSG meeting on 19th September. The topic was already covered in agenda point 4.

14. **SUSTAINABLE FINANCE**

Not covered as the topic was in the joint committee agenda on the next day.

15. **IAIS GLOBAL ICS INITIATIVE**

Siegbert made a presentation on ICS (Annex 15). The planned ICS 2.0 adaption at end 2019 had a lot of similarities to Solvency II in the terminology and underlying ideas. The Solvency II Working Group will consider commenting on the paper, but note that it is primarily an IAA area and that separate submission might not be justified **(Action: SB)**.

16. **JOINT COMMITTEE MEETING**

Chairperson invited all committee member to this meeting on the next day (Annex 16).

17. **BIG DATA**

No progress to discuss.

18. **MEETING WITH EXTERNAL ORGANISATIONS AND STAKEHOLDER**

Was already covered in agenda point 8 (Annex 18.1).

19. **PRESENTATION FROM MEMBERS ON SURVEYS**

Ksenija Sanjkovic was not present in the meeting so her presentation (circulated with papers) was for information (Annex 19).

20. **EXCHANGE OF NEWS ON CURRENT ISSUES**

Not covered due to time constraints.

21. **ANY OTHER BUSINESS**

Wilhelm Schneemeier told about the plans for ECA2019 which will be held on June 6-7, 2019 in Lisbon, Portugal. All Committee members are encouraged to take part in this event. Call for papers is open with the request to send abstracts for AAE by the end of October. Sponsors will be needed. AAE is looking for €100k sponsorship money to assist with the organizing of the event. **(Action: All)**

22. **NEXT MEETING**

The next meeting of the Insurance Committee will take place in Sofia, Bulgaria, on Thursday 11 April 2019 at the invitation of the Bulgarian Actuarial Society.

Annex 0.1

Participants Insurance Committee meeting Utrecht, The Netherlands | 20 September 2018

	First name	Family name	Country	Nominating association	Role
1	Gunn	Albertsen	Norway	Den Norske Aktuarforening	Alternate
2	Felix	Arias Bergada	Spain	Col.legi d'Actuaris de Catalunya	Observer
3	Marc	Arias	Spain	Col.legi d'Actuaris de Catalunya	Observer
4	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	Chair SII WG
5	Thomas	Béhar	France	Institut des Actuaire	Observer
6	Daphné	De Leval	Belgium	Institut des Actuaire en Belgique	Alternate
7	Peter	Franken	Netherlands	Koninklijk Actuarieel Genootschap	Delegate
8	Florin	Ginghina	Romania	Asociatia Romana de Actuarat	Delegate
9	Gábor	Hanák	Hungary	Magyar Aktuárius Táraság	Observer
10	Jozef	Ducky	Slovak Republic	Slovenská spoločnosť aktúarov	Delegate
11	Martin	Jusko	Czech Republic	Ceská Spolecnost Aktuáru	Observer
12	Reinhold	Kainhofer	Austria	Aktuarvereinigung Österreichs	Delegate
13	Birgit	Kaiser	Germany	Deutsche Aktuarvereinigung	Observer
14	István	Kerenyi	Hungary	Magyar Aktuárius Táraság	Delegate
15	Esko	Kivisaari	Finland	Suomen Aktuaariyhdistys	Observer
16	Marta	Marco	Spain	Col.legi d'Actuaris de Catalunya	Alternate
17	ANA	Martins Pereira	Portugal	Instituto dos Actuários Portugueses	Delegate
18	Baiba	Mocane	Latvia	Latvijas Aktuāru Asociācija	Delegate
19	Tony	O'Riordan	Ireland	Society of Actuaries in Ireland	Chairperson IC
20	Matthias	Pillaudin	France	Institut des Actuaire	Delegate
21	Mike	Poulding	Guernsey	Channel Islands Actuarial Association	Delegate
22	Michael	Renz	Germany	Deutsche Aktuarvereinigung	Observer
23	Giovanni	Sammartini	Italy	ISOA	Delegate
24	Lauri	Saraste	Finland	Suomen Aktuaariyhdistys	Vice-chair IC
25	Kirsten	Sasady	Denmark	Den Danske Aktuarforening	Delegate
26	Jeffrey	Schlinsog	U.S.A.	American Academy of Actuaries	Observer
27	Wilhelm	Schneemeier	Germany	Deutsche Aktuarvereinigung	Observer
28	Miroslav	Simurda	Czech Republic	Ceská Spolecnost Aktuáru	Delegate
30	Kartina	Thomson	U.K.	Institute and Faculty of Actuaries	Delegate
31	Eduardo	Trigo	Spain	Instituto de Actuários Espanoles	Observer
32	Lutz	Wilhelmy	Switzerland	Association Suisse des Actuaire	Alternate
33	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer