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MINUTES OF MEETING OF THE AAE RISK MANAGEMENT COMMITTEE (‘RMC’)

HELD IN UTRECHT, THE NETHERLANDS

**PART 1 - ON THURSDAY 20 SEPTEMBER 2018 FROM 09.00-12.00 CEST AND
PART 2 - ON FRIDAY 21 SEPTEMBER 2018 FROM 08.30-10.40 CEST**

Venue: NDC Den Hommel, Kennedylaan 9, Utrecht, The Netherlands

Present (at least for Part 2):

Name	Association	Country
René Knapp	Aktuarvereinigung Österreichs	Austria
Christoph Krischanitz	Aktuarvereinigung Österreichs	Austria
Daphné de Leval	IA BE	Belgium
Philippe Demol	IA BE	Belgium
Martin Jusko	Ceská Společnost Aktuáru	Czech Republic
Miroslav Simurda	Ceská Společnost Aktuáru	Czech Republic
Annina Pietinalho	Suomen Aktuaariyhdistys	Finland
Richard Deville	Institut des Actuaire	France
Siegbert Baldauf	Deutsche Aktuarvereinigung	Germany
Frank Schiller	Deutsche Aktuarvereinigung	Germany
Wilhelm Schneemeier	Deutsche Aktuarvereinigung	Germany
Gábor Pásztor	Magyar Aktuárius Társaság	Hungary
Bryan O’Higgins	Society of Actuaries in Ireland	Ireland
Roberto Muscogiuri	ISOA	Italy
Baiba Mocane	Latvijas Aktuāru Asociācija	Latvia
Eugenija Bieliauskiene	Lietuvos Aktuaru Draugija	Lithuania
John Oost	Het Koninklijk Actuarieel Genootschap	Netherlands
Anne S Magnussen	Den Norske Aktuarforening	Norway
Marcin Zwara	Polskie Stowarzyszenie Aktuariuszy	Poland
Ana Martins Pereira	Instituto dos Actuários Portugueses	Portugal
Florin Ginghina	Asociatia Romana de Actuarat	Romania
Eduardo Trigo Martínez	Instituto de Actuários Españoles	Spain
Marc Arias Bellot	Col·legi d’Actuaris de Catalunya	Spain
Jolanta Tubis	Association Suisse des Actuaire	Switzerland
Malcolm Kemp (Chair)	Institute and Faculty of Actuaries	United Kingdom
Jeff Schlinsog	American Academy of Actuaries	USA
Others not listed above present in Part 1		
Karel Goosens	IA BE	Belgium
Jan Svab	Ceská Společnost Aktuáru	Czech Republic
Esko Kivisaari	Suomen Aktuaariyhdistys	Finland
Thomas Behar	Institut des Actuaire	France

Gabor Hanak	Magyar Aktuárius Táraság	Hungary
Yvonne Lynch	Society of Actuaries in Ireland	Ireland
Maria Kamenarova	Slovenská spoločnosť aktuárov	Slovak Republic
Felix Arias Bergada	Col.legi d'Actuaris de Catalunya	Spain
Malcolm Campbell	Svenska Aktuariieföreningen	Sweden
Lutz Wilhelmy	Association Suisse des Actuaire	Switzerland
Kartina Thomson	Institute and Faculty of Actuaries	United Kingdom

Part 1 – Thursday 20 September 2018, 09.00-12.00 CEST
Chaired by Frank Schiller, vice-chairperson

1. OPENING OF MEETING AND ADOPTION OF THE AGENDA

Welcomed all, also in name of chairperson Malcolm Kemp. No comments raised on the agenda.

2. OPEN/ONGOING PROJECTS

2.1 CRO Forum

Up to now 26 participants have been nominated by risk management committee members for planned 30 places.

To Do for all: please name additional persons, if not yet done

Program to be discussed this afternoon. Current draft of agenda:

- Opening session
- Presentation from EIOPA
- Presentation from CRO
- Afternoon as a workshop

Feedback from RMC:

- Several countries: Number of participants must not be restricted. If, e.g., CROs from relevant company decide to come, they should be invited.
To Do Gábor: process needs to be adapted
- Several countries: Date needs to be fixed soon
To Do Gábor: will be discussed this afternoon
- Several countries: Use this event to also promote actuaries in RM
To Do Gábor and further volunteers: provide an article to be used for external communication
- Working group "Promotion of actuaries in Risk Management": also consider presenting marketing presentation and collect feedback in CRO Forum

In RMC Part 2 give update on discussions of today afternoon

2.2 Promotion of actuaries in Risk Management

Questions raised by working group:

Can paper be used for internal communication?

- Austria: may be used as a basis for specific communication
- Spain: weaknesses are presented too dramatically, e.g., actuaries are well equipped to extrapolate mortality tables, methods including qualitative assessments are best practice, hence also best practice in risk management
- Ireland: "too honest" for a basis for direct publishing, rather promote strengths
- Belgium: paper mainly meant to be a basis for the analysis of further steps

- NL, Slovakia: add a target group to paper and show relevance by adding number of actuaries in risk management (questionnaire done by AAE earlier)
- Slovakia: more focus on risk management in pensions, can be currently leveraged as opportunity

What are next steps?

- For external communication: provide a two-pager as a specific positioning statement for the basis for all communication
- need to address more explicitly decision makers, e.g. board members or HR community (HR conferences on local level)
- Competition with other associations (e.g. PRMIA): in most countries not an issue (Austria, Germany, Slovakia, Spain)
- Training needs to be more harmonized and more consequently provided in Europe: CERA and further specialized seminars (e.g. operational risks, enterprise risk management)
- Also provide webinars and more focused, less expensive trainings for actuaries
- “Actuaries are Risk Managers”: not focus that much on name “actuary” in risk management but rather get all experts connected and provide exchange and permeability of experts in all direction

Specific tasks:

- Write 2 pager: main topics and communication strategy for internal and external use
Frank, René
- Presentation to promote actuaries: CRO-Round-Table as a test forum, promote locally in HR forums, PRMIA etc.
Frank, Gábor
- Training: ask EAA to promote CERA and provide more webinars and material less expensive to be discussed with Education Committee
Frank

In RMC part 2: also address “promote risk management for actuaries” as additional topic

2.3 RM Article Database

Status of database in Ireland: Free availability on Irish Actuarial Association homepage for articles on ERM, fully searchable, now in existence for 3 years

Quite demanding to maintain database, just added 300 more articles recently, use students and volunteers to do it, now featuring more than 800 articles

IAA is also very interested in database and discussing how they could support maintenance of database

- Slovakia: will share contact persons for providing support
- Several countries: problem for database as a platform for an exchange on European level might be that for most countries articles are in local languages not English, hence difficult include in database and to maintain quality
- Germany: Can Ireland share guidelines and minimal requirements for uploading articles with RMC to join forces Europe wide?

2.4 AAE Solvency II Working Group

Information on new structure, joint setup with Insurance Committee

Main focus (in addition to review of standard formula):

- LTG Review
- Macroprudential policy and systemic risk
- Sustainable finance
- Quantitative aspects in recovery and resolution

Information on current discussions and potential additional requirements to be expected from EIOPA

All volunteers are welcome to support the working group:

- Lutz to support discussions on Risk Margin

This setup will be a new way of operation for the AAE to work together. Both committees Insurance and Risk Management will have to be in regular exchange with working group. Potential for Pensions Committee to be included as well. Hence, for effectiveness, we need to implement a new governance:

- All: to regularly inform Siegbert on current issues and provide contact person to get informed on current topics coming on EIOPA
- Siegbert: Send alerts to mailing list on urgent topics, minutes of calls of working group

2.5 Duration management of insurance contracts

Christoph proposed to rewrite it completely to rather address the idea of how to get away from an accounting approach to a more risk driven approach for managing ALM risks and even extending that to other risks

Next version should be presented at spring meeting

Support by Gabór, Maria

2.6 Conduct / reputational risk

Tomasz to further work on this topic. Will get in contact with actuaries in NL to learn from their experiences in such events, John to support

2.7 The world beyond financial and insurance risks

Marc proposes to work on a paper to list and cluster risks, discuss how to analyze them, which experts to include to assess and validate those risks, and finally, how to mitigate them

- France: higher priority should be put on further improving the methodology on financial risks

2.8 Other

General feedback for agenda item 2.5, 2.6, 2.7: We need to prioritize topics on the long list of topics for the RMC. Will be discussed in RMC part 2

Part 2 – Friday 21 September 2018, 08.30-10.40 CEST

Chaired by Malcolm Kemp, chairperson

1. OPENING OF MEETING AND ADOPTION OF THE AGENDA

Welcomed members to the meeting.

2. MINUTES OF PREVIOUS MEETING

2.1 To confirm the Minutes of the meeting held in Warsaw on 4 May 2018

The minutes were agreed.

2.2 To consider any matters arising not covered elsewhere as substantive items on the agenda

No matters were raised

3. INTERNAL ISSUES

Frank Shiller's appointment as vice-chairperson was noted, as were the Committee's current Terms of Reference, its objectives and its structure as discussed in Warsaw

4. SUMMARY OF PREVIOUS DAY'S MEETING

Frank ran through topics discussed in Part 1, including:

CRO/RMF Forum

- Is it possible to include presentation on promotion of actuaries in RM
- Need for date to be fixed, is now going to be 16 November
- Sensitivity needed in terms of invites, don't want to not invite individuals if they have already been approached by their member association, whilst also don't want to invite them if it will not then be practical to engage with them effectively

RM Article Database

- Bryan had been unable to attend Part 1, to be discussed further at next meeting. Yvonne Lynch likely to discuss with IAA

Solvency II Working Group

- RMC keen to find out how best to work together
- Siegbert and Frank again encouraged anyone interested to join, as lots for the Working Group to do
- Aiming to keep RMC involved. Will have presentation on topic at joint meeting later in the day

Duration management, conduct/reputational risk and world beyond finance

- Topics only covered quite briefly, see earlier. Christoph will rewrite the duration management paper. Tomasz has yet to contact John

5. REPORT ON RECENT MEETING WITH EIOPA

The Chair reported on this meeting, including discussions on PEPPs with EIOPA representatives. The AAE Pensions Committee is leading on PEPPs from the AAE's perspective.

6. OPEN/ONGOING PROJECTS

6.1 IFRS 17

Daphné led this topic with a presentation. Topics raised during the presentation or in the discussion afterwards included:

- Currently IFRS is due to go live 1.1.2021 (although EFRAG comments suggest that this timeline may not be adhered to in Europe)
- Aims to provide more useful and transparent information
- Discount rates are at a much more granular level than in Solvency II
- Variable fee approach has CSM varying by product

- Pure investment products are outside scope of IFRS 17 (and IFRS 9)
- Need to group policies, splitting between one that are (i) onerous, (ii) unlikely to be onerous, (iii) the remainder
- Locked in rates need to be calculated, so a lot of work and a lot of data storage
- Lots of reporting, which in theory should be very complementary to Solvency II, but practical position may be more complex
- Very principle based
- In terms of actuarial involvement, much being done at IAA level, but legitimate interest from AAE as question arises can we leverage Solvency II. IFRS 17 is closer to Solvency II than IFRS 4. However, some differences, e.g. need to reassess contract boundary on a yearly basis. There seem to be fewer synergies with Solvency II than had originally been hoped (by European actuaries)
- AAE study results influenced AAE response to EFRAG, which in turn influenced EFRAG's recent letter to IFRS which raised a lot of concerns
- Steering a company's IFRS 17 results appears to be very hard
- RMC should be able to give an input to the debate
- Operationally really challenging, so likely to add to operational risk

6.2 Prepare for role actuaries can play in risk management under IORP II

The committee discussed the likely roles and responsibilities of actuaries in this area. Malcolm noted that the paper that he had included in the agenda pack was co-authored by some pensions and insurance actuaries, which suggested that collaboration was possible and probably also desirable. Points raised in the discussion included:

- Larger schemes appeared to be more likely to employ a dedicated risk manager to head up their risk function (who might not be an actuary) whilst smaller ones appeared to be more likely to combine risk management and actuarial function
- Topic will be covered further in presentation at joint meeting later in the day
- A cash flow method is being promoted by the Dutch Actuarial Association as a way of assisting with the ORA

6.3 Operational risk management

Malcolm presented a proposed paper that was the outcome of a call had by Malcolm Kemp, Daphné de Leval, Eddy Van den Borre and Christoph Krischanitz on "Actuarial Involvement in Operational Risk Management". Topics raised in the subsequent debate included:

- Frank was of the view that the big challenge was getting hold of meaningful data. Eduardo and Christoph were less sure that this was the biggest challenge. Limited data was inevitable, so maybe the issue was with the methodologies that needed to be able to cope well with data scarcity
- Gabor thought that operational risk specifically relating to the actuarial function might be underestimated, given some of the complexities of actuarial models
- Some members thought paper outline was very broad, so better would be to focus on a limited number of points, e.g. how to achieve a good control framework, qualitative aspects. One suggestion was to focus on guidance on how to utilise expert input, e.g. good ways to moderate meetings, carry out interviews, ... Also, a lot of material was available from IRM, so prioritisation would be important
- Cyber security was an increasingly important issue

6.4 Other open projects currently included in workplan

6.5 Closed Projects

6.6 New projects

These topics were taken in tandem in the light of comments noted in Part 1. The following refinements were suggested to the workplan. An updated version is attached as **annex 6.6**:

- ICS: carried forward
- Promoting consistent approaches – team was wanting guidance on how to proceed. Malcolm to consider
- Linkage between lapse and interest rates – now expected to be captured by Solvency II Working Group
- Sovereign risk – being dropped, Eduardo wants to move to something else (probably systemic risk)
- Liquidity risk – check with Alexander
- Model risk – maybe link with management of model risk in IFRS 17
- Calibration of ESG's – Florin noted the need to consider pricing as well as reserving. René volunteered to help Annina with this
- Systemic risk – Eduardo keen to pick this up

6.7 GDPR

It was noted that the AAE Insurance Committee had arranged a webinar on GDPR in late October and this led to a debate about whether the RMC should also arrange some webinars. It was agreed to capture this idea within the workstream aiming to promote the RMC to other organisations.

7. MEETING WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS

An overview of recent meetings held between delegations of the AAE and respective stakeholders, supplied by the Secretariat, was noted.

8. EXCHANGE OF INFORMATION ON CURRENT ISSUES

Given time constraints, no specific topics were discussed

9. JOINT MEETING INSURANCE, PENSIONS AND RISK MANAGEMENT COMMITTEE

Arrangements for the joint meeting later that day were noted.

10. FUTURE MEETINGS

Committee members were encouraged to provide feedback after the meeting to the Chair on how they thought the meetings had gone. They were particularly encouraged to provide feedback on the format of the Joint Meeting, given that the forthcoming one would be the first such meeting. Feedback received so far suggests that the joint meetings are valuable and interesting, but it might be even more useful if we started with the joint meeting and then continued with the individual meetings (as this might help to minimise overlap). Please let me know if you have any further comments.

11. ANY OTHER BUSINESS

The Committee received a presentation on the European Congress of Actuaries from Wilhelm Schneemeier. Points noted were:

- Would be held on 6-7 June, Lisbon

- Being organised by AAE and IAP, with EAA also involved
- Call for papers now open (until end Oct)
- Topics include data analytics, place of guarantees and role of actuary
- AAE working for the first time with sponsors

N.B. I have subsequently been asked to encourage our different workstreams to propose topics to present at this Congress. Please can each workstream actively consider this possibility.

12. DATE OF NEXT MEETING

It was noted that the next meeting of the Risk Management Committee would be held on Friday 12 April 2019 in Sofia, Bulgaria at the invitation of the Bulgarian Actuarial Society in conjunction with their 25th Anniversary.

Whether there would be a joint meeting of the Insurance, Pension and Risk Management Committees then had yet to be finalised and would depend on feedback from participants after the first joint meeting to be held later that day.

Malcolm Kemp
5 October 2018