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MEETING OF THE INSURANCE COMMITTEE

HELD IN VIENNA, AUSTRIA

ON THURSDAY 10 OCTOBER 2019 FROM 13.00-17.00

MINUTES

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

1. **OPENING OF THE MEETING AND ADOPTION OF THE AGENDA**

The Vice-Chairperson welcomed the members to Vienna and acknowledged the Committee's thanks to the Austrian Association for hosting the meeting. He also passed the chairperson apologies not being able to participate on the meeting.

The agenda was approved, with the following rearrangement of order of items proposed by the Vice-Chairperson: Item 4 "VISION AND VALUES OF AAE" and item 6 "PROPOSED PLAN" to be taken after other items have been addressed

Delegates, alternates and observers introduced themselves.

2. **MINUTES OF PREVIOUS MEETING**

2.1 The minutes of the meeting held in Sofia on 11 and 12 April 2019 were approved and the notes from the teleconferences held on 28 June 2019 and 12 September 2019 were confirmed.

2.2 Any matters arising not covered elsewhere as substantive items on the agenda were taken under Agenda item 23 "ANY OTHER BUSINESS"

3. **REAPPOINTMENT OF THE VICE CHAIRPERSON**

The committee approved the reappointment of Lauri Saraste as Vice-Chairperson for a second one-year term to run up to the fall meeting in 2020.

4. **VISION AND VALUES OF AAE**

The vice-chairperson told that a short draft text has been made by the chairperson using IFRS, Solvency II and consumer protection issues as something to use as examples of what has been done for the wellbeing of societies and for public interest. He asked committee member to send any ideas they might have to include into this message. Few possible topics to bring out would also be matter relating to sustainability, non-life topic and low interest rates.

5. **WEBINARS**

5.1 The Vice-Chairperson provided feedback from the webinar 'Update on Insurance Topics' held on 17 September 2019.

There were 100 participants in the webinar. The event was considered a success and had prompted a good level of response and discussion on the day.

The committee agreed that the dial-in process had worked well. It was queried whether 100 was a good level of participation, and how might the number of attendees be increased for future events. It was explained that appr. 200 was a technical limit that DAV had which is providing the webinar technicalities for AAE but that this could be reviewed for future webinars.

It was queried whether slides can be made available to those who couldn't participate. The Vice-Chairperson confirmed that slides are available to all participants, and it should be possible to make them more generally available within the AAE.

5.2 The Vice-Chairperson asked attendees for ideas, of interest to European actuaries, for the next webinar in Q3 2020. Two ideas proposed were

- The presentations on low interest rates provided at the joint committee meeting that morning with any future and more broader work on these; and
- EIOPA's final advice on the 2020 review of Solvency II, which should be available in late Q2 2020.

The Vice-Chairperson welcomed any further ideas that could be submitted by email.

6. **PROPOSED PLAN**

6.1 The committee noted the presentation on progress against the plan for the period to September 2020 (attached as **Annex 6.1**).

It was suggested that another workstream could be created to look at low interest rates, and in particular the impact on insurance business models. The Vice-Chairperson proposed that the committee establish a working group to address this topic. The new working group could build on previous work done on low / negative interest rates.

Matthias Pillaudin volunteered to join the new working group, and the vice chairperson asked that others would volunteer by email.

The work plans of non-life, IFRS and Solvency II working group were noted as an important part of the work plan for 2020.

A call was also made to the committee for any other ideas for the work-plan.

7. **CONSULTATIONS**

7.1 The Vice-Chairperson noted that the IC responded to the following consultations:

- EIOPA's Consultation Paper on an opinion on sustainability within Solvency II (AAE response is attached as **Annex 7.1**)
- EFRAG'S draft comment letter on the IASB's ED/2019/4 amendments to IFRS 17 (AAE response)

7.2 Siegbert Baldauf gave an update on the following outstanding consultations:

- EIOPA's Consultation Paper on Proposals for Solvency II 2020 Review Harmonisation of National Insurance Guarantee Schemes
- EIOPA's DP on Methodological principles of insurance stress testing
- EIOPA's Consultation Paper on proposals for Solvency II 2020 Review Cover Note - Package on Supervisory Reporting and Public Disclosure

The deadline for submission to EIOPA, for all three consultations, is 18 October.

Siegbert explained that draft responses for the first two consultations had already been forwarded to the AAE board's reviewers. Following the meeting of the Solvency II working Group that morning, a draft response to the consultation on Supervisory Reporting and Public Disclosure was also ready for the board to review.

Regarding the consultation on Supervisory Reporting and Public Disclosure, Siegbert drew attention to the following

- The changes to the structure of the SFCR, and the need for SFCR's published by insurers to be machine readable, both of which are welcomed by the AAE
- Regarding Financial Stability Reporting, the technical definition of asset duration to be applied in QRT S.38.
- The recently publicised EIOPA field test, which will allow insurers to test the proposed set of new QRTs and to report any issued encountered in applying them in practice.

In reviewing the process for preparing these drafts, Siegbert explained that there had been only a limited amount of divergence of views from the member associations. The main challenges in consolidating the inputs from member associations were differences in the structure and format of the responses received. This is a learning point for the forthcoming consultation which is expected to be published imminently.

The Solvency II working group will meet in Brussels on 7 November to make an initial assessment of the consultation paper and plan its method and format for responding to it.

The Vice-Chairperson opened the discussion up to the wider committee. The points raised were

- It would be helpful to have a high level (1-page) summary of responses for the committee. This would require additional work for the working group in a tight timeline. The board also supports this idea and will assist the working group to achieve it.
- It is also planned to involve the committee in the next consultation before draft response goes to board. However, the turnaround time for committee input will necessarily be short, perhaps just 2-3 days.
- Further support from Member Associations not represented on the working group, or from other experts is very welcome.

7.4 The Vice-Chairperson noted the support which was provided to EIOPA in preparing its opinion on cross border business. It was queried whether there had been any information from EIOPA on the next steps regarding cross border insurance. No feedback had been received in the meeting with EIOPA in July. The Vice-Chairperson will add it to the agenda for next meeting with EIOPA. Similar topics might arise also in future but these are usually ad-hoc work from AAE with extremely short deadlines.

AAE responses to previous CPs have been well received. Members are encouraged to participate in future CPs.

8. **NON-LIFE ISSUES**

8.1 Matthias Pillaudin gave an update on the activities of the Non-Life working group (**Annex 8.1)** which included Non-life SII topics prioritised for 2020 review, USPs and Risk Mitigation Techniques.

Matthias also made a call to the committee for additional volunteers for the working group.

Declan Lavelle gave a short presentation on two topics which the Non-Life working group has prioritised to be raised with EIOPA for the 2020 Solvency II review. These related to

- the alignment of the Technical Provisions' Contract Boundary and the SCR; and
- The Premium Volume Measure

The working group has proposed practical adjustments to the standard formula to address these issues.

9. **UPDATE ON EUROPEAN ISSUES**

9.1 The Vice-Chairperson gave an update on recent developments in the European arena and the agenda and the EIOPA Insurance & Reinsurance Stakeholder Group (IRSG)
He covered a wider range of topics. Full details are available in the attached **Annex 9.1**)

- Arising from the ESA's review there probably will be a new call for IRSG members next year.
- EIOPA is expected to publish imminently their thematic review for travel insurance. The review will show some poor business models which EIOPA sees as incompatible from an IDD perspective.
- EIOPA's consultant group of experts on digital ethics has been established. Lutz Wilhelmy added that the group contains c40 members. Its first meeting was earlier that week. The aim is to provide a comprehensive view on the ethical challenges of digitalisation, across the whole digital space, with a special focus on underwriting. The expected timeframe is one year
- On International Capital Standards, a "soft" introduction is now likely, eventual hard implementation into EU legislation. Lutz questioned the timeline for hard implementation, The Vice-Chairperson responded that this was not yet clear.
- EIOPA is closely monitoring the ways in which low interest rates are impacting the industry and how business models need to adapt to them. Thomas Behar added that both business and consumers need to understand the implications: the AAE needs to do some work on this.
- Regarding PRIIPS there are two parallel threads: the European Commission will run consumer testing while ESAs will launch a consultation on the methodology for illustrating performance scenarios.
- The Vice-Chairperson outlined the presentation he gave to EIOPA and the IRSG on liquidity risk management, which was well received. The same presentation has also been presented for the ECB.
- On Sustainability, EIOPA are working on "scenarios" and "stewardship". Scenarios relate to quantitative and qualitative scenarios to be applied by insurers. Stewardship refers to the role EIOPA expects insurers to take regarding their investment portfolios,

supporting climate-aware customer behaviour and in designing product adaptations in the face of climate change.

- On Consumer trends, EIOPA is currently collecting information on risk indicators from a variety of sources. However, this is not a simple task and will require careful interpretation.

10. **SOLVENCY II**

10.1 Siegbert Baldauf gave a short presentation on Solvency II issues. The main presentation had already been made to the meeting of the joint committees that morning (**Annex 10.1**)

Siegbert drew attention to the key areas of focus shown on slide 9: Long term guarantees/interest rate risk; standard formula SCR, harmonisation of best estimate technical provisions, risk margin and macroprudential issues.

10.2 Siegbert also mentioned the open and forthcoming consultations, covered under item 7 of the agenda.

10.3 Members of the Committee to report briefly on any important recent developments in relation to Solvency II in their country: no issues were raised.

11. **IFRS 17**

11.1 Kristoffer Bork provided an update from the IFRS17 Working Group on its work and plans (**Annex 11.1**).

The AAE decided not to respond directly to the IASB public consultation on amendments to IFRS 17 (which was published in June for responses by September), as the IAA was already doing so. Instead, the AAE responded to the EFRAG consultation in order to work alongside European stakeholders and within the strategic focus of the AAE.

Overall, the AAE agreed with EFRAG's views. The treatment of annual contracts was the biggest issue raised by EFRAG. It was also noted that EFRAG proposed a 2-year delay.

11.2 Kristoffer went on to outline the comments on EIOPA's Analysis of IFRS 17 Insurance Contracts prepared by the IFRS 17 Working Group and issued in September 2019 (**Annex 11.2a – full response and Annex 11.2b - summary)**

In EIOPA's view, Solvency II already does much of what is required under IFRS17. However, the AAE challenged this view as too high-level. While the Solvency II and IFRS17 balance sheets are conceptually similar, there are some important differences. Full detail is provided in the annexes.

The committee discussed what should be the next steps for the AAE? It was agreed that the role of the actuary is a key issue, and it was noted that that the IAA is preparing a paper on this theme. The AAE board has also raised some issues in discussion with EIOPA but also this should be addressed toward the EC also. The IFRS17 working group proposes to advance the position, with EIOPA and other stakeholders, that the actuary has a key role in such a complex standard when EU legislation is drafted. It was also noted that national interpretations might arise on this.

12. **CONSUMER PROTECTION WORKING GROUP**

The vice-chairperson told that the chairperson has been active with this one with the help from Valery Jost and Reinhold Kainhofer. The survey that already exist might need more

input from member countries that are not covered yet and the committee members were asked to participate if possible. This work has been highly welcomed by EIOPA. Reinhold Also provided some update on the progress, especially relating to PRIIPS.

13. **SUSTAINABLE FINANCE**

Esko Kivisaari briefed the Committee on developments in relation to sustainable finance (**Annex 13-17**). He told that there had been an update on the taxonomy (25th Sep) clarifying better those actions that are causing climate change. Esko also mentioned that there is strong views among the top EU policymakers to make more clear arguments to slow down the climate change. Also IAA is working with the issue with the topic of climate risks, some examples from Japan, as an example.

Lutz Wilhelmy mentioned some research which is indicative of lower volatility of sustainable assets, but this is, as yet, far from definitive.

The committee discussed brown / green investments and the impact on capital requirements. It was noted that EIOPA will support a risk-based view.

14. **IAIS GLOBAL ICS INITIATIVE**

This topic was covered only briefly. The main topic of interest of the new approach to risk margin. Siegbert Baldauf will distribute slides to the committee.

15. **JOINT COMMITTEE MEETING**

The committee noted the Joint Meeting of the Insurance, Pensions and Risk Management Committees held that morning from 10.00-12.00.

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

Philip Shier gave an update on PEPP to the committee (**Annex 16**).

The AAE will provide input to EIOPA in the development of technical standards

A working party has been established and has had a number of volunteers. Further volunteers are very welcome.

The plan is to work over the next month to 6 weeks on three related streams

- Key Information Document;
- Benefit Statements; and
- Risk mitigating techniques on investment strategy.

17. **ETHICS IN DIGITALIZATION**

Esko Kivisaari gave an update (available at **Annex 13-17**) on the recent development in the area.

EIOPA announced new group which had it first meeting on the 8th of October. The Group will address principles of use of digital data e.g. pricing and underwriting as the Data innovations introduces both opportunities and threats. Lutz and Esko are AAE members of the group. Esko keeps it important for AAE to link with other active actuaries who work in the area. For example German and Irish and French associations also proposed members

and they were accepted. Timeline of the group at least until end 2020 but already expectations to be extend further.

There was discussion on the AAE internal work and ownership of this broad topic as there is touching point to most of the AAE work. The vice-chair noted that at least IC needs to be very active with this and interact with the other AAE work.

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

18.1 The committee noted the most recent overview of meetings held between delegations of the AAE and the respective stakeholders. (attached as **Annex 18.1**).

One pagers as shared with EIOPA and the European Commission can be found on the AAE website under Publications.

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

19.1 The committee noted the report by Hillevi Mannonen on the work of the Actuarial Standards Subcommittee (ASSC) (**Annex 19.1a,** Workplan included as **Annex 19.1b**).

19.2 The Vice-Chairperson gave an update on the status of the EAN on ORSA (**Annex 19.2**). There were 7 responses on the EAN including 3 with detailed comments: UK, France and Netherlands. The UK and French comment could be incorporated relatively easily, but the Dutch comments were more extensive. Some Dutch comments would require structural changes to the EAN e.g. the EAN to be more independent document, to make a strong reference to IAA risk book, include a new chapter on overall description on ORSA, include more non-life and text on group ORSAs.

The final electronic approval can't start yet, too much open issues

In terms of next steps there were two ideas:

A) Target minimal change and have bilateral discussion with UK, Dutch and French colleagues to find a consensus – This could facilitate faster approval of the EAN if fundamental changes can be avoided.
B) Re-start the working group. As the EAN may need extensive changes a new Exposure Draft would be needed in addition to further discussions in the Insurance Committee and Professionalism Committee

The Vice-Chairperson proposed option A in the first instance, although it is recognized that option B may ultimately be required.

20. **COSTS AND PAST PERFORMANCE**

This was already partly covered in agenda point 12.

21. **INTEREST RATE DYNAMICS**

This was covered at the meeting of the joint committees. The vice-chair person told that a new draft is on progress aiming to bring clear outcomes using the evidence from the study.

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

Martin Jusko noted a Czech issue relating to the taxation rules for insurance companies, which had been circulated prior to the meeting

- Currently, insurance companies are taxed on the basis of accounting profit (local GAAP and accounting technical provisions).

- It is now proposed to replace accounting technical provisions by Solvency II technical provisions for tax purposes. This would, among other effects, lead to one-off retrospective taxation of the difference between accounting and solvency technical provisions.

Conor O'Byrne mentioned two issues of interest from Denmark;

- the local regulator requiring implementation of stochastic models for valuing options and guarantees; and
- a shift from with-profits business to unit linked business.

23. **ANY OTHER BUSINESS**

Florin Ginghina raised a concern about the timeliness of circulation of papers for the committee meeting and the practice of circulating the pack in two waves in the weeks leading up to the meeting. He also suggested that the pack could include a "heatmap" on issues to help members focus on the key items in the pack.

The Vice-Chairperson noted these concerns as it is very important that committee members are able to digest all the material on the agenda but said that before the meetings both the few person working for AAE and the committee chairs are overworked and did not see how this would work in practice. Anyway, He told that there has also been needs to produce some one-pagers from the main agenda points to help the discussion to be concentrated to the topic that needs most of the attention. Everybody can read the material but what to do with that information should be actual matter under discussion.

24. **NEXT MEETING**

The Vice-Chairperson invited everyone to the next meeting of the Insurance Committee which will take place in Bratislava, Slovakia, on Thursday 2 and Friday 3 April 2020 (to be confirmed) at the invitation of Slovenská spoločnosť aktuárov.

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Annex 0.1

Participants Insurance Committee
Vienna, Austria | 10 October 2019

	First name	Family name	Country	Nominating association	Role
1	Christoph	Krischanitz	Austria	Aktuarvereinigung Österreichs	Observer
2	Reinhold	Kainhofer	Austria	Aktuarvereinigung Österreichs	Delegate
3	Daphné	de Leval	Belgium	Institut des Actuaires en Belgique	Delegate
4	Karel	Goossens	Belgium	Institut des Actuaires en Belgique	Observer
5	Ksenija	Sanjkovic	Croatia	Hrvatsko Aktuarsko Drustvo	Delegate
6	Martin	Jusko	Czech Rep.	Ceská Spolecnost Aktuáru	Alternate
7	Kristoffer	Bork	Denmark	Den Danske Aktuarforening	Chair IFRS17
8	Jette Lunding	Sandqvist	Denmark	Den Danske Aktuarforening	Observer
9	Conor	O'Byrne	Denmark	Den Danske Aktuarforening	Delegate
10	Thomas	Behar	France	Institut des Actuaires	Observer
11	Matthias	Pillaudin	France	Institut des Actuaires	Delegate
12	Birgit	Kaiser	Germany	Deutsche Aktuarvereinigung	Observer
13	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	SII project leader
14	Nils	Dennstedt	Germany	Deutsche Aktuarvereinigung	Delegate
15	Gabor	Hanak	Hungary	Magyar Aktuárius Társaság	Observer
16	Zoltán	Szabó	Hungary	Magyar Aktuárius Társaság	Alternate
17	Giovanni	Sammartini	Italy	ISOA	Observer
18	Evaldas	Valeiša	Lithuania	Lietuvos Aktuaru Draugija	Delegate
19	Ptakauskas	Paulius	Lithuania	Lietuvos Aktuaru Draugija	Observer
20	Mats	Sollie	Norway	Den Norske Aktuarforening	Delegate
21	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
22	Tomasz	Krylowicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
23	Ana	Martins Pereira	Portugal	Instituto dos Actuarios Portugueses	Delegate
24	Declan	Lavelle	Rep.Ireland	Society of Actuaries in Ireland	Delegate
25	Aitor	Milner	Spain	Instituto de Actuarios Españoles	Observer
26	Xavier	Gomez	Spain	Col.legi d'Actuaris de Catalunya	Delegate
27	Malcolm	Campbell	Sweden	Svenska Aktuarieföreningen	Alternate
28	Michael	Bamberger	Switzerland	Association Suisse des Actuaires	Delegate
29	Cenk	Yalcin	Turkey	Actuarial Society of Turkey	Observer
30	Malcolm	Kemp	UK	Institute and Faculty of Actuaries	Observer
31	Hanna	Craig	USA	American Academy of Actuaries	Observer

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