

## MEETING OF THE RISK MANAGEMENT COMMITTEE

### HELD IN VIENNA, AUSTRIA

ON FRIDAY 11 OCTOBER 2019 FROM 08.30-12.30 CEST

### MINUTES

**Venue:** [Hotel & Palais Strudlhof](#) on the 2<sup>nd</sup> floor. Address: Pasteurgasse 1, 1090 Vienna Austria.

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

Malcolm opened the meeting and presented the meeting agenda and the minutes of the last meeting

- Agenda accepted as presented
- The list of participants is attached to these minutes as **Annex 1**.

#### 2. MINUTES OF PREVIOUS MEETING

2.1 Minutes agreed as shared before the meeting with a minor correction for the location of the last meeting ("SOFIA, THE NETHERLANDS" should read "SOFIA, BULGARIA")

2.2 There were no matters raised that were not covered elsewhere as substantive items on the agenda.

#### 3. REPORT ON RECENT MEETINGS

Malcolm and Lutz gave a brief summary of the meetings with EIOPA in July 2019 and with the European Stability Mechanism in September 2019.

#### 4. OPEN/ONGOING PROJECTS

##### 4.1 CRO Round Table

Gábor gave a brief update on the last development. As Roberto has left the RMC, he currently is the only active person of the RMC organizing the CRO Round Table, and he asked for volunteers to support the work.

- Jana agreed to support. She thinks that it might be important to also extend the format and not only to set up in-person-meetings but also establish a digital format for chats or blogs.
- René also wanted to support, by organizing persons to present at the CRO Round Table.
- General question raised by the RMC: How might Actuvieview be used for the Round Table?

Lutz stated that setting up a webpage should not be a problem, also including a chat functionality. To use Actuvview you first need content (e.g. presentations) to upload to the platform. Gábor will take this up for the organisation of the next meetings of the CRO Round Table.

#### 4.2 *Solvency II Working Group*

Siegbert very briefly gave an update on the current status and gave some more details on topics not raised in the Joint Meeting on Thursday.

- He specially focussed on the expected field test of the redesigned QRTs. It will be a good opportunity to again check if the proposed updates will work effectively. Siegbert asked all member associations to give direct feedback. This work will not be coordinated by the AAE.
- For the financial stability reporting we also can give some more detailed feedback on the proper definition of 'duration'. This is especially difficult for life business including profit participations.

If further persons want to contribute to answering the Solvency II 2020 review consultation paper questions, they can directly contact Siegbert, Malcolm or Frank. Siegbert also provided information on the timeline for the upcoming consultation and the governance of collecting input from the local actuarial associations and consolidating it as a consistent answer from AAE.

#### 4.3 *Operational risk*

Malcolm noted that the paper was finalized after the last meeting and presented at the ECA conference in Lisbon. It will also be presented at the upcoming RMC webinar in December. Sharing of the paper and the presentation is supported by the authors. It is not yet approved by the board of the AAE and Malcolm will explore whether to ask the board for the official approval.

The paper was welcomed by the delegates as very valuable and helpful for their work. Having such a paper as an official position paper from the AAE would be even more helpful as it could then be shared even more broadly.

#### 4.4 *Risk management aspects for IORPs*

Malcolm introduced briefly the context why this topic is important for the RMC. As a key representative on this topic was not able to participate, it was only briefly discussed and it will be taken up again at the next meeting. However, the participants shared the view that work of the RMC would be important to give support and clear guidance to actuaries as risk managers in this area to avoid reinventing the wheel of risk management for IORPs and to support consistency between insurance and pensions.

We should try to organize a joint working group together with the Pension Committee on this topic. Malcolm will ask Susanna if she can take this up.

#### 4.5 *Solvency II Risk Margin*

The paper has been essentially finalized but sign-off of the board is still pending.

Lutz stated that this paper is already giving a valuable and broad overview of general concepts and is raising several relevant open topics. We should also however strive to give detailed answers to these open topics and position ourselves as actuaries more

strongly. However, discussion on the open topics has not yet started in any depth and it cannot be solely solved by the board of the AAE.

Siegbert noted that having such a paper already now will support our position in the current Solvency II review, even if it only had the status of a working paper.

To develop the paper further we want to first publish the current version of the paper whilst also outlining the open questions we will aim to answer in a second step. Lutz and Siegbert will take this up, and a finalization of the current paper is expected at the next AAE Board meeting. To prepare the second version of the paper including a more specific position of the AAE for open topics we should meet in person. The aim is to use the Solvency II Review meeting in Brussels 7 November to do so.

#### 4.6 *IFRS 17*

This topic is currently not being actively worked on in the RMC. Christoph is asked to give feedback from the IFRS17 Working Group to the RMC at the next meeting.

#### 4.7 *Sustainability and Environmental, Social and Governance Issues*

The AAE Board is putting great focus on this topic. The RMC is currently not active in this area. Malcom asked how we should proceed.

- Nadia proposed that we should cooperate with the IAA and use already existing work done by them.
- Frank is asked to share answers of Solvency II working group on the EIOPA consultation on sustainability and their response. Further on he should at the next meeting discuss how possibly to support actuaries in risk management to fulfil the additional requirements we expect to come from EIOPA.
- AAE is considering developing and maintaining a climate index. First analysis and comparisons with existing indices in the US and Australia have been done. Marcin will give an update on this at the next meeting.

#### 4.8 *Systemic risk and macroprudential policy*

Frank briefly summarized the presentation he gave at the SAV annual meeting this year. His presentation only gives a rather high-level overview on the topic and will be discussed in more detail during the upcoming Solvency II consultation. If topics arise during the consultation which should be worked on in the RMC, Frank will raise them at the next meeting.

#### 4.9 *European Safe Assets*

Malcolm referred to his presentation at the Joint Meeting.

- Lutz argued that the work itself was very valuable and it is important that we provide answers to requests coming from institutions like the ESM. However, a broader question is what can be achieved by more complex structures and he questioned if such solutions could really solve the problem.
- As AAE we cannot solve the political problem of a lack of availability of safe assets, but we need to make the situation transparent and support an open and informed discussion of that topic. This should also include a comprehensive discussion of possible solutions that could also include an assessment of, e.g., political, legal and structural risks of such solutions.
- We can in addition state clearly the required features for such investments and provide a position of the AAE.

Malcolm will publish the paper he presented under his own name without any further changes and the RMC can afterwards respond to this paper and give their view on requirements and risks of such solutions. Subsequently Florin requested to be involved in this workstream.

4.10 *Calibration and Validation of Economic Scenario Generators*

René briefly summarized the work done till today. A first two-page draft is available. As no further volunteers have so far showed interest in developing this topic further and as there is a close link to IFRS17 scenario generators and potential future additional requirements from EIOPA to establish consistency for ESGs in Europe, René suggested that we should park the topic for now and wait for these other topics to develop further. The RMC agreed to suspend the work for the time being.

4.11 *Conduct and Reputational Risk*

Tomasz gave a presentation on this topic. He observed that realised reputational risks in the past have often been driven by mis-selling issues for investment products. Hence, he proposes to focus the working group to describe how to properly / fairly design products to avoid conduct and reputational risks (e.g. for investment products).

- Florin stated that it is very difficult to properly and comprehensively address the main issues and based on that define a potential guidance for fair product design. Hence, it might not be possible to fulfil the targeted objective.
- The already existing code of conduct could be a concept to be used here.
- This could be also a topic we may discuss in a CRO Round Table to receive a broad view on the topic across Europe.
- Nadia is happy to support the work on this topic.

4.12 *Contribution to well-being of society and concern for the public interest*

Malcolm noted that the current and incoming AAE Presidents want us to consider this topic in our working plan and to check how it connects for all topics currently being worked on. For all of the non-technical topics we will articulate this link more explicitly and include a respective statement in our papers and results.

4.13 *Forward workplan*

Malcolm moderated the discussion on how to update the workplan. The following changes were agreed:

- Timeline for CRO Round Table needs to be extended and names to be updated as agreed above.
- ORSA support material could be extended with topics on stress testing for sustainability risks. The name of the Lithuanian delegate needs to be updated. Will be discussed again in spring meeting 2020.
- Promote consistent approaches amongst European actuaries will be rolled to Solvency II Working Group.
- For Reach out to other European risk management organisations we need to find new topic leaders. Gábor can support the task when organizing the CRO Round Table.
- Shift the deadline for the work on model risk by 1 year and include Christoph.
- Deprioritize remuneration policy for the time being.

5. **CONSULTATIONS**

Malcolm noted that we have participated on consultations in Systemic and Macroprudential Policy and in the ESMA's survey.

6. **WEBINARS**

6.1 Frank will moderate the first RMC webinar 5 December. The agenda had been shared before the meeting and participants had no further comments.

6.2 *Potential future webinars*

We should already now consider what material we might be able to present at the next webinar in Q4 2020. [Note: Malcolm has been approached by representatives of the IAA AFIR-ERM section wanting to explore if there is appetite to do joint webinars with them]

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

Malcolm presented an overview of meetings held between delegations of the AAE and certain stakeholders.

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

No further current issues were addressed by participants.

9. **JOINT MEETING INSURANCE, PENSIONS AND RISK MANAGEMENT COMMITTEE**

Feedback from participants on Joint Meeting last Thursday was positive and we should carry on with this format.

10. **FUTURE MEETINGS**

Next physical meeting will be in Bratislava on 3 April 2020.

11. **REAPPOINTMENT OF VICE-CHAIR**

Frank was again appointed as vice-chair for the RMC.

12. **ANY OTHER BUSINESS**

Bryan noted that the Society of Actuaries in Ireland was discussing the future of their ERM database with IAA and AFIR-ERM.

13. **DATE OF NEXT MEETING**

To note that the next meeting of the Risk Management Committee will be held in Bratislava, Slovakia, on Friday 3 April 2020 (to be confirmed) at the invitation of Slovenská Spoločnosť Aktuárov.

## ANNEX 1

### Participants Risk Management Committee Vienna, Austria | 11 October 2019

	First name	Family name	Country	Nominating association	Role
1	René	Knapp	Austria	Aktuarvereinigung Österreichs	Delegate
2	Christoph	Krischanitz	Austria	Aktuarvereinigung Österreichs	Observer
3	Philippe	Demol	Belgium	Institut des Actuairens en Belgique	Alternate
4	Youri	Dolya	Belgium	Institut des Actuairens en Belgique	Observer
5	Jana	Zelinkova	Czech Republic	Ceská Spolecnost Aktuáru	Delegate
6	Conor	O'Byrne	Denmark	Den Danske Aktuarforening	Alternate
7	Richard	Deville	France	Institut des Actuairens	Observer
8	Nadia	Lamari Mfithi	France	Institut des Actuairens	Delegate
9	Frank	Schiller	Germany	Deutsche Aktuarvereinigung	Vice-Chair
10	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	SII Project Mgr
11	Gábor	Pásztor	Hungary	Magyar Aktuárius Társaság	Delegate
12	Paulius	Ptakauskas	Lithuania	Lietuvos Aktuaru Draugija	Delegate
13	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
14	Tomasz	Krylowicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
15	Ana	Martins Pereira	Portugal	Instituto dos Actuários Portugueses	Delegate
16	Bryan	O'Higgins	Ireland	Society of Actuaries in Ireland	Delegate
17	Florin	Ginghina	Romania	Asociatia Romana de Actuariat	Alternate
18	Eduardo	Trigo Martínez	Spain	Instituto de Actuários Españoles	Delegate
19	Xavier	Gomez	Spain	Col.legi d'Actuaris de Catalunya	Alternate
20	Lutz	Wilhelmy	Switzerland	Association Suisse des Actuairens	Observer
21	Malcolm	Kemp	UK	Institute and Faculty of Actuaries	Chair
22	Craig	Hanna	USA	American Academy of Actuaries	Observer
23	Carmen	Suro-Bredie	USA	American Academy of Actuaries	Observer