

## VIRTUAL MEETING OF THE RISK MANAGEMENT COMMITTEE

HELD ON FRIDAY 9 OCTOBER 2020 FROM 09.00-12.00 CEST

### MINUTES

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

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

The usual short introductory round was included in the three breakout groups in 5.

#### 2. MINUTES OF PREVIOUS MEETING

2.1 No comments or additions to the minutes.

2.2 No other matters to be included in the meeting agenda.

#### 3. REPORT ON RECENT MEETINGS

Siegbert Baldauf briefly reported on the main topics of the meeting with EIOPA in July 2020 which included discussion of some specific topics regarding the Solvency II Review 2020 based on a handout provided by AAE (see 4.2 for further details)

#### 4. OPEN/ONGOING PROJECTS

##### 4.1 *Risk management implications of COVID-19*

Frank Schiller briefly discussed the presentation on COVID-19 given at the CERA day in Germany and how to manage such a pandemic. He asked for feedback on the presentation, especially on the VUCA approach, as this presentation is likely to form the basis of a corresponding presentation for the RMC webinar in December.

Martin Melchior and Tomasz Kryłowicz asked if we could now estimate a correlation between insurance and capital market risks for future pandemics and hence derive a model for typical governmental behaviour. Volatility will definitely increase in capital markets and the observed figures might also provide an indication of the size of this increase for future pandemics. However, the actions currently implemented by different governments during this COVID-19 pandemic are very diverse and, hence, are difficult to use to predict behaviour in the future.

VUCA was generally seen as an appropriate and relevant approach for managing risks through a pandemic.

##### 4.2 *Solvency II Working Group*

Siegbert Baldauf gave a brief overview on the status of the ongoing Solvency II Review and the next steps that will be taken by the European Commission. The EIOPA holistic impact assessment seeking to quantify effects of certain changes to earlier suggestions

has been run (after being rescheduled due to COVID-19) and will be used for the final calibration. The most relevant topics from our perspective are the model (and underlying assumptions) for the interest rate curve (LLP and extrapolation) and the Volatility Adjustment. Here, Siegbert gave an overview on the differences between EIOPA's and AAE's positions. The European Commission now intends to add additional topics, namely on the European Green Deal, the completion of the Capital Markets Union, and the strengthening of the single European market.

Malcolm Kemp thanked the Solvency II Working Group for their excellent and extensive work regarding these reviews.

Tomasz Kryłowicz asked what the potential future requirements for long-term assessments and scenarios might be with respect to "long-termism and sustainability". EIOPA is running additional consultations on this topic and exploring how scenario testing might be used to tackle this topic. The result is still open as the consultations are quite high level.

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

Annina Pietinalho and Marcin Zwara gave an overview on the current activities and focus of the AAE on this topic. As first ideas they shared their thoughts on potential actions for the RMC.

Tomasz Kryłowicz noted that it might be helpful to provide an overview of already existing and currently established approaches for modelling and to achieve a certain convergence between countries.

Martin Melchior thought that contributing in this area is very important, and we should give high priority to this work.

Frank Schiller added that connecting to the academic world might be helpful to derive relevant scenarios to forecast potential long-term effects and thereby increase the impact we might have as AAE.

Annina Pietinalho, Martin Melchior and Siegbert Baldauf further noted that we need to consider existing AAE activities and connect with other working groups in the Insurance Committee and the Solvency II Working Group.

#### 4.4 *ORSA Support*

Annina Pietinalho gave an overview on already finalized and still open RMC work with respect to ORSA. The Dutch association of insurers had provided a vision on ORSA good practise that might assist our work. We should up cooperation especially with the Insurance Committee and the Solvency II Working Group and provide a way round the sometimes contradicting objectives of covering complex and comprehensive topics whilst still having a flexible process for carrying out the ORSA.

#### 4.5 *European Safe Assets*

Malcolm Kemp gave a brief status update on this topic. Whilst the scale of planned issuance of debt guaranteed by the EU itself looked to be a major landmark for EU capital markets and therefore worth noting in its own right, it was not clear whether there was any specific work the RMC might want or could usefully do in this area at the present time.

4.6 *CRO Round Table*

The topic was not discussed substantively during the meeting. The idea of connecting the planned RMC webinar with the CRO-table should be taken up by Frank Schiller and Gabor Pásztor.

4.7 *ESAP 2 Review Task Force*

Siegbert Baldauf and others gave a brief status update on this topic, which had arisen because AAE protocols required ESAPs to be reviewed according to a certain frequency. The review was at an early stage at present.

4.8 *Reputational and Conduct Risk*

Tomasz Kryłowicz shared his thoughts and those of others in the workstream on this topic. The workstream is aiming to develop qualitative and quantitative tools for assessing KRIs and to provide an overview of current practice in different European countries. The basis for the latter is a planned survey to be filled in by committee members. First analysis can be presented at the Spring 2021 meeting.

Jana Zalinkova noted that it might be helpful to extend the questionnaire to other actuaries in relevant countries to provide a broader view on the topic.

The proposed workplan was agreed by committee members (including the proposed issuance of a survey to committee members).

5. **COMMITTEE REVIEW**

Three breakout sessions were moderated by Malcolm Kemp, Christoph Krischanitz and Frank Schiller. General ideas to improve the work were, amongst others:

- more meetings to keep up the exchange during the year
- more focus on topics and more time to discuss single topics in meetings of the RMC
- prepare topics better for discussion in RMC and be more explicit on what is expected from working group members
- focus more on topics that are directly supportive for actuaries in their day-to-day work

6. **FORWARD WORKPLAN**

Malcolm Kemp went through topics. Changes in Priorities:

- Work in IFRS17 will be discontinued in the RMC and fully given to the Insurance Committee.

7. **CONSULTATIONS**

No further comments on ongoing consultations.

8. **WEBINARS**

Frank Schiller was assigned to organise and moderate the webinar on 8 December. The planned topics for the agenda are:

- COVID-19 (Frank Schiller)
- Solvency II Risk Margin Update (Malcolm Kemp)
- ESG or Macroprudential Tools (to be discussed with Siegbert Baldauf)

- Touch base with CRO Round-Table (to be discussed with Gabor Pásztor)

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

The list of meetings had been shared before the conference. No further comments or additions.

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

No topics were exchanged.

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

Topics were already addressed under 4. No further comments or additions.

12. **FUTURE MEETINGS**

The next physical meeting is planned for Spring 2021 in Bratislava.

13. **ANY OTHER BUSINESS**

No points raised.

14. **DATE OF NEXT MEETING**

The next meeting will be held in Bratislava, Slovakia from 14-16 April 2021 at the invitation of Slovenská spoločnosť aktuárov (Slovak Society of Actuaries).

To note that the next Annual Meeting will be held at Campus Sursee, Switzerland, from 29 September-1 October 2021 at the invitation of Schweizerische Aktuarvereinigung.

## Annex 0.1

### Participants Risk Management Committee Virtual | 9 October 2020

	First name	Family name	Country	Nominating association	Role
1	Christoph	Krischanitz	Austria	Aktuarvereinigung Osterreichs	Observer
2	Reinhold	Kainhofer	Austria	Aktuarvereinigung Osterreichs	Observer
3	Philippe	Demol	Belgium	IA BE	Observer
4	Tatiana	Bitunska	Bulgaria	Bulgarian Actuarial Society	Observer
5	Yanitsa	Yaneva	Bulgaria	Bulgarian Actuarial Society	Delegate
6	Jana	Zelinkova	Czech Republic	Ceská Spolecnost Aktuáru	Delegate
7	Martin	Melchior	Denmark	Den Danske Aktuarforening	Delegate
8	Annina	Pietinalho	Finland	Suomen Aktuaariyhdistys	Delegate
9	Richard	Deville	France	Institut des Actuaire	Observer
10	Nadia	Lamari	France	Institut des Actuaire	Delegate
11	Frank	Schiller	Germany	Deutsche Aktuarvereinigung	Vice-Chair
12	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	Observer
13	Susanna	Adelhardt	Germany	Deutsche Aktuarvereinigung	Observer
14	Bryan	O'Higgins	Ireland	Society of Actuaries in Ireland	Delegate
15	Aldo	Balestreri	Italy	ISOA	Delegate
16	Daniela	Martini	Italy	ISOA	Observer
17	Paulius	Ptakauskas	Lithuania	Lietuvos Aktuarijų Draugija	Delegate
18	John	Oost	Netherlands	Koninklijk Actuarieel Genootschap	Delegate
19	Trond	Killi	Norway	Den Norske Aktuarforening	Delegate
20	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
21	Tomasz	Krylowicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
22	Ana	Martins Pereira	Portugal	Instituto dos Actuários Portugueses	Delegate
23	Florin	Ginghina	Romania	Asociația Română de Actuarial	Delegate
24	Eduardo	Trigo Martínez	Spain	Instituto de Actuarios Españoles	Delegate
25	David	Musazai	Sweden	Svenska Aktuarieföreningen	Delegate
26	Nurdan	Türkdemir	Turkey	Actuarial Society of Turkey	Delegate
27	Kartina	Thomson	UK	Institute and Faculty of Actuaries	Board member
28	Malcolm	Kemp	UK	Institute and Faculty of Actuaries	Chair
29	Craig	Hanna	USA	American Academy of Actuaries	Observer