

VIRTUAL MEETING OF THE INSURANCE COMMITTEE
HELD ON THURSDAY 8 OCTOBER 2020 FROM 10.30-14.30

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**

- 1.1 The Chairperson welcomed the members to the virtual meeting.

The agenda was approved noting that COVID 19 and PEPP were not included on the agenda as they were covered in the earlier Joint Committee meeting.

2. **MINUTES OF PREVIOUS MEETING**

- 2.1 The minutes of the virtual meeting held on 3 April 2020 (**Annex 2.1**) were approved
- 2.2 The notes of the teleconferences held on 13 July 2020 (**Annex 2.2a**) and 4 September 2020 (**Annex 2.2b**) were noted.
- 2.3 The committee noted the quarterly committee reports as published on the AAE website (committee reports are part of the Board reports to MAs). The latest version (July 2020) is available as **Annex 2.3**.
- 2.4 Any matters arising not covered elsewhere as substantive items on the agenda were taken under Agenda item 23 “ANY OTHER BUSINESS”

3. **CHAIRPERSON**

- 3.1 Tony O’Riordan noted that he was stepping down after this meeting and had greatly enjoyed his three years as Chair. He noted also the particular challenge holding virtual meetings in 2020, and expressed his hope that the Committee could revert to face-to-face meetings in the not too distant future.

Tony then welcomed Lauri Saraste’s nomination (for election in the General Assembly on 9 October 2020) as incoming Chair and wished Lauri well in his future work with the Committee.

Lauri gratefully accepted the Committee’s nomination and noted that, subject to any required formal procedures, a new vice-chair would need to be appointed. Lauri invited committee members to contact him to express interest in volunteering as Vice-Chair.

Finally, Lauri thanked Tony for his work with the Committee, and presented an online card signed by members of the Committee

4. **VISION AND VALUES OF AAE**

4.1 The Chair introduced a discussion of AAE activity in the area of contributing to the wellbeing of society, focussing on aspects relating to work of Insurance Committee. He outlined the key areas of such activity and focus for the AAE board:

- Financial literacy, noting in particular issues relating to consumers and their understanding of financial products. In this context, he noted the challenges to the long-term consumer proposition posed by prolonged low interest rates.
- Strengthening position of actuaries, e.g. looking at succession, ethical and whistleblowing issues
- Capturing succinctly the AAE's mission statement / slogan.

5. **TERMS OF REFERENCE**

5.1 The Committee considered a small number of proposed revisions to terms of reference of the Insurance Committee (**Annex 5.1**)

The Chair noted the following changes which were confirmed by the Committee:

- the addition of a sentence in the first paragraph
"It will be guided by and seek to contribute to achievement of the AAE strategic objectives."
- and
- the addition of a new Item (#6)
"contribute to AAE initiatives aiming at advancing the well-being of society and protecting the public interest"

5.2 The Committee considered proposed revisions to terms of reference of the IFRS 17 Working Group (**Annex 5.2**).

Kristoffer Bork explained that the WG's terms of reference had been completely rewritten to

- align with the AAE's strategic objectives
- and
- address the implementation phase of IFRS17

In addition, changes were made to remove references to specific named persons in the terms of reference.

A discussion followed which picked up the following amendments to the draft terms of reference

- In the "organisation" section the end-date of "end of 2020" should be amended to "end of 2021"
- The statement of the AAE's strategic objectives should be moved to an appendix to help avoid any interpretation that the WG would be working on "prescribing educational standards"

Discussion then moved to the work and plans of the IFRS WG. See under section 13.1

6. **WEBINARS**

- 6.1 The Chair noted the webinar which was hosted by the Insurance Committee on 15 September 2020 and thanked those involved for their input. There were over 100 participants and there had been some excellent feedback demonstrating the value of such events.

7. **PROPOSED PLAN**

- 7.1 The Committee confirmed the Insurance Committee plan for the period to September 2021 (attached as **Annex 7.1**), noting one change since the teleconference on 4 September: a new item “*New data analytics techniques in the insurance sector*” had been added in response to a suggestion from Loes de Boer.

8. **CONSULTATIONS AND RESPONSES**

- 8.1 The Chair noted that the Insurance Committee had responded to the following consultations and thanked all those who had provided input:

- Consultation on the renewed sustainable finance strategy (AAE response and summary attached as **Annex 8.1a and 8.1b**)
- Press Release in response to the Commission’s paper “Best practices in relation to relief measures offered to consumers and businesses in the context of COVID-19 crisis” (AAE Press Release is attached as **Annex 8.1c**)
- EIOPA's reports on Cost and Past Performance (AAE input attached as **Annex 8.1d**)
- Climate Change and Insurance Pricing (AAE input attached as **Annex 8.1e**)
- Joint ESA consultation on ESG disclosures (AAE response attached as **Annex 8.1f**)
- Discussion Paper on Methodological Principles of Insurance Stress Testing (AAE response attached as **Annex 8.1g**)

- 8.2 The Committee noted the following outstanding consultation:

- Insurance & reinsurance firms – review of prudential rules (Solvency II Directive) (closing 21 October 2020)

The Solvency II Working Group is collating and reconciling inputs from member associations in relation to this consultation.

The Chair noted the recently published EIOPA Consultation on supervision of the use of climate change scenarios in the ORSA. EIOPA invites responses by 5 January 2021.

Lauri Saraste encouraged wider responses to consultations from member associations; all input is useful, even if in some cases the responses are only partial.

9. **NON-LIFE ISSUES**

- 9.1 Declan Lavelle gave an update on the work of the Non-Life working group (Annex 9.1)

Activity had been in three broad areas:

- Non-Life input to consultations
- Ongoing workstreams on Risk Management Techniques and USPs
- Links to other AAE Working Groups: Low Interest Rates, Solvency II and Systemic Risks & Pandemics

Progress on the ongoing workstreams had been slower than planned. Surveys of member associations are planned for Q4.

In discussion, Matthias Pillaudin asked if the NLWG was considering issues around Non-Damage Business Interruption. Declan explained that one of the NLWG members, Jan Martinek, was on the WG on Systemic Risks and Pandemics and that other Non-Life WG members could also support that group if required

10 **LOW INTEREST RATE WORKING GROUP**

10.1 Matthias Pillaudin outlined a paper prepared by the Low Interest Rates working group covering the results of its 2020 survey. (**Annex 10.1**)

The paper presents the results of the survey and key findings under three headings

- Structure of business in European Markets
- Innovation in Life Insurance
- ALM Strategies and Risk Monitoring

The key messages of the paper are that the LIR WG

- supports EIOPA's plan – monitoring LIR risks, engaging in dialogue to improve resilience, and identifying missing supervisory tools
- encourages a focus on promoting product innovation
- supports enhancements of the ORSA as a tool to demonstrate the consequences on solvency and profitability.

The WG proposes that the paper is communicated directly to EU authorities or used as an aid to discussion with EIOPA.

The WG identifies the following next steps

- Explore impacts of LIR on existing business
- Liaise with Consumer Protection WG to identify to what extent this work can be used in discussions with EIOPA.

The timeframe for the next steps has yet to be agreed within WG – a likely deadline is AAE's Spring meeting.

In the ensuing discussion the following issues were raised for consideration by the WG.

- Should the group also look into issues around liquidity management?
- The impact of ECB measures on Low Interest Rates and consequent distortions to the yield curve. These are not explicitly addressed by the LIR WG, but are being considered by the Solvency II WG, noting that Matthias is a member of both WGs
- Links with IFRS17

Lauri Saraste commented that the work of the LIR WG will contribute to the political phase of the Solvency II review in 2021.

The Chair asked if the LIR WG has sufficient resources to address these issues. Matthias believes there are sufficient resources but will ask if the need arises.

11. UPDATE ON EUROPEAN ISSUES

11.1 The Vice-Chair gave an update outlining recent developments in the European agenda touching on a wide range of issues:

- The Financial Stability Report and prolonged low interest rates
- Covid 19 supervisory statement
- PEPP work has been finalised and is now with the European Commission
- Stress tests roadmap
- ICT Security and Governance Paper
- Consultation on climate change scenarios in the ORSA
- Consumer protection issues / Product Oversight & Governance
- PRIIPS
- Solvency II Holistic Impact Assessment
- Sustainability and related disclosures
- Digitalisation
- Supervisory handbook
- Developments relating to Capital Markets Union
- Shared Resilience Solutions for pandemics
- Liquidity

11.2 Lauri also updated on issues being considered by the EIOPA Insurance & Reinsurance Stakeholder Group (IRSG).

- Providing input on EIOPA's templates for sustainability-related disclosures
- Developing a response to EIOPA's note on "Shared resilience solutions for pandemics"
- Responding to EIOPA's draft Supervisory Statement on the use of risk mitigation techniques by insurance undertakings.

The ensuing discussion noted

- the very high level of activity and the key themes: Capital Markets, Digitalisation, Sustainability and Consumer Protection.
- the importance of to keeping up the AAE's work on both technical and non-technical issues and the need to allow cross-fertilisation between AAE committees

12. SOLVENCY II

12.1 Siegbert Baldauf gave a comprehensive update as Chair of the Solvency II Working Group (SII WG) reviewing the schedule of items being covered by the working group and its proposed approach (**Annex 12.1**).

The update covered four main areas

- The Solvency II Review process and timeline
- EIOPA's role: consultations, advice and holistic impact assessment
- The EU Commission's initiative and how it will take into account wider political priorities and be flexible enough to cope with economic and financial developments (such as prolonged low interest rates)
- The activities of the SII WG, in particular its responses to consultations and discussion papers, and its work in developing position papers on issues of high importance (See agenda items 12.2 and 12.3). The WG is currently finalising these papers and would welcome any further feedback. Following AAE Board approval the position papers could be published on the AAE website and would be provided to EIOPA and the Commission in order to feed into their considerations.

In the discussion that followed the following points were made:

- The AAE must find the balance between the aims of the Commission and the ideas of EIOPA, and must support any conclusions by providing provide strong actuarial arguments.
- On extrapolation, the essential argument is that stability for long term liabilities is desirable. However, if the long term is so uncertain, we need to consider whether it remains appropriate/viable to accept such long-term liabilities.
- extrapolation also needs to work in period of high interest rates, and therefore a long-term anchor makes sense.

12.2 Daphné de Leval outlined the conclusions of a paper prepared by the Solvency II working group on the Volatility Adjustment (**Annex 12.2**)

The WG believes that an optional undertaking-specific “Own VA” can co-exist with the “Representative Portfolio VA”, with the Own VA being addressed in the ORSA and available to the supervisor by request.

The WG supports the definition of the risk correction spread, i.e. the combination of point-in-time and though-the-cycle approaches.

The WG welcomes the new macro-economic Country VA and proposes an additional macro-economic VA to be applied in exceptional circumstances at EIOPA’s initiative.

Finally, the WG recommends EIOPA provide maximum transparency on the underlying assumptions of the VA.

12.3 Siegbert Baldauf outlined the conclusions of a paper prepared by the Solvency II working group on the Risk-Free-Rate Extrapolation method (**Annex 12.3**)

The paper identifies several shortcomings in the EIOPA proposals and concludes that the WG does not support a change in either the Last Liquid Point for the Euro or the extrapolation methodology at this time.

12.4 Daphné de Leval described the survey which the working group proposes to distribute to the Insurance Committee in relation to Solvency II practices in the Covid-19 environment (**Annex 12.4**)

Given the current Solvency II review in a crisis situation, the purpose of the survey is to assess the appropriateness of the framework following Covid-19 and to identify possible areas of development

The draft survey poses 10 questions looking at 5 major areas

- Countercyclical elements
- Appropriateness of the standard formula
- Approach on liquidity and default
- Recovery
- National supervisors’ initiatives

The WG is considering one potential additional question in relation to the impacts on (re)insurers of government actions relating to Covid-19.

The survey is expected to be launched imminently with responses due in November.

Committee members are encouraged to feed back any thoughts for refinements to the survey.

- 12.5 Members of the Committee reported briefly on important recent developments in relation to Solvency II in their country.

Debbie Ramdien-Sonai reported that in the Netherlands the supervisor has issued Q&A on LACDT which appears to go far beyond the requirements of the amended Delegated Regulations

Matthias Pillaudin mentioned two developments in France

- The French ACPR has launched an exercise on stress testing and climate change, requiring Solvency II balance sheet projected to 2050.
- The French Institute is engaging with the ACPR on the low take-up of the option of Long-Term Equity. This is also being considered within the Solvency II WG.

13. IFRS 17

- 13.1 Kristoffer Bork provided an update from the IFRS17 Working Group on its work and plans

The IASB has published the final amendments to the IFRS 17 standard. The changes since 2019 are limited. EFRAG has issued its Draft Endorsement Advice on the amended standards and the WG will now consider next steps.

Kristoffer reminded the Committee that the IAA focus is on the global standard, while the AAE focus is on European endorsement and the Actuarial Role in IFRS17.

Matthias Pillaudin asked if the WG needed any new volunteers. Kristoffer said there was no pressing need but the WG was flexible to welcome new volunteers. Matthias offered to contribute.

- 13.2 Kristoffer provided an update on the draft report on the Roles of Actuaries in IFRS17. (**Annex 13.2**).

This is that same document that was presented in April, which had subsequently gone out for consultation. There were responses from 12 member associations, none of which were negative. In the main the remarks from member associations related to the link between the proposed "Reporting Actuary" and existing "Appointed Actuary", "SII Actuary" or similar roles. These have not required any changes to the document. The aim is not to be prescriptive and to maintain maximum flexibility, as a pan-European defined structure is not possible.

As such the current draft has been submitted to the AAE board for approval.

Matthias Pillaudin suggested that the Solvency II WG should review the paragraphs relating to the Solvency II Actuarial Function and feed back to Board if any issues. The chair asked if Siegbert Baldauf could seek to address this as soon as possible.

Ksenija Sanjković asked if the working group has considered the remarks of the Croatian Actuarial Association regarding the suggested minimum requirements for the new role as it is for the actuarial function and also mentioned that the Croatian association had suggested the use of the term "Reserving Actuary" instead of the "Reporting Actuary". Kristoffer replied that the principle of the paper is that there is an identified actuarial role responsible for IFRS17 reporting, but the name of this role could be adapted to each country. Maria Kamenarova suggested that ideally the actuarial role should exist in European Legislation. If a similar local role already exists this could be aligned to the European requirement during local transposition. The key point is the activities rather than the name of the role. The Chair asked that Kristoffer should address Ksenija's concerns offline.

Mats Sollien asked if the IAA has a similar proposal for a formal actuarial role. Kristoffer replied yes, but that it is less specific in the absence of the Solvency II Actuarial Function. The IAA paper is currently in the due process with the IAA and is expected to be published soon.

14. **CONSUMER PROTECTION WORKING GROUP**

Valéry Jost provided an update on the activities of this Working Group, including the outcome of the survey in relation to costs and past performance on profit participation business (**Annex 14**).

There were four responses, from Spain, France, Italy and Germany. These 4 countries represent 70 % of the relevant aggregate life insurance GWP in the EU (excluding UK). Even though responses were from just 4 countries, they reflected a wide variety of contract design.

The results have been shared with EIOPA, and it was concluded that this work aligned with EIOPA's view that the current framework was a reasonable way of capturing the benefits of profit sharing, albeit that we need to keep in mind the differences between products offered in different countries.

The Chair asked if this work is now complete. Valéry said this remains to be confirmed with EIOPA, and is also linked with ongoing work on PRIIPs.

The Vice Chair noted that this issue, in conjunction with low interest rates is a very hot topic for EIOPA and links in with the theme of "fairness" and consumer protection. Valéry agreed and also noted that low interest rates leads to costs being highly sensitive and an existential issue for the long-term savings industry.

15. **SUSTAINABLE FINANCE**

15.1 Lauri Saraste noted that developments in relation to sustainable finance had been covered in the Joint Committee meeting. He reiterated that this is a fundamental topic, requiring ever increasing actuarial input.

16. **IAIS GLOBAL ICS INITIATIVE**

Siegbert Baldauf reported that there were no new developments with the IAIS proposals for a global insurance capital standard since the April meeting.

17. **JOINT COMMITTEE MEETING**

The Chair noted no additional issues arising from the [Joint Meeting of the Insurance, Pensions and Risk Management Committees](#) held on 8 October 2020 from 08.30-10.00 CEST (Agenda in **Annex 17**).

18. **ETHICS IN DIGITALIZATION**

Esko Kivisaari briefed the Committee on developments in this area, and on two recent consultation responses (press release available as **Annex 18**).

The work is divided into three sub-groups under the umbrella of the EIOPA Expert Group on Digital Ethics, as follows:

- Fairness (chaired by Lutz Wilhelmy). Looking at impacts of new technology and discrimination.
- Transparency (chaired by Esko). Covering communication of information providing understanding of how fairness is achieved.
- Governance (chaired by Pedro Ecija Serrano, actuary based in Ireland). Looking at how insurers should govern operations to ensure that implementation is appropriate

Work is progressing, although it has been impacted by Covid-19. The next step is to condense the various streams of work into a shorter paper with the aim to finalise work by December.

19. **MEETINGS WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS**

19.1 The committee noted the review of meetings held between delegations of the AAE and the respective stakeholders. (available at **Annex 19**).

The ensuing discussion noted in particular

- The meetings with Accountancy Europe with a focus on IFRS17. Accountancy Europe has engaged very constructively and is broadly supportive of the AAE position paper on the role of the actuary. These lines of communication will continue into the implementation of the new standard.
- The engagement with EIOPA which was wide ranging and addressed many of the issues discussed in the Insurance Committee today.
- The Chair noted the “one pagers” which had been shared with EIOPA and the European Commission (see AAE website under [Publications](#)). These help provide focus and clarity in the AAE’s engagements with European bodies.

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

20.1 The committee noted the report by Hillevi Mannonen on the work of the Actuarial Standards Subcommittee (ASSC) (**Annex 20.1a**, Workplan included as **Annex 20.1b**).

No new ESAPs have been proposed. Siegbert Baldauf noted the review of ESAP 2 (Actuarial Function Report under Solvency II) which is underway.

20.2 The committee noted that the EAN on ESAP 3 and ORSA was issued on 25 May 2020 (**Annex 20.2**)

In the ensuing discussion, Lauri Saraste noted that no feedback had been received subsequent to publication, and that any such feedback from member associations would be welcome.

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

21.1 Members of the Committee were invited to give an update on current issues in their country.

It was noted that issues in relation to Solvency II had been covered under point 12.5 above.

Kartina Thomson provided an update on three issues from the UK:

- Court test cases taken by the PRA in relation Business Interruption claims arising from COVID-19.
- The PRA's activities in relation to Climate Risk
- Work on post Brexit changes to Solvency II rules applied in the UK. The work commences with a Call for Evidence this autumn.

There was a brief discussion of István Kerényi's recent email query regarding Motor Insurance personal injury limits and Catastrophe Risk. This was an example of an area where different interpretations were possible and a convergence of approach would be welcome.

The Chair encouraged members to respond to other such queries as a way to highlight potential differences in approaches across countries to foster convergence over time.

22. **ANY OTHER BUSINESS**

22.1 The chair noted the call for papers for the forthcoming European Congress of Actuaries in June 2022 and encouraged Committee members to bring it to their member associations' attention. The call for papers is open until 31 October 2020.

23. **NEXT MEETING**

The Chair thanked attendees for their participation and contribution at the meeting and during his term as chair.

He invited everyone, COVID-19 permitting, to the next meeting of the Insurance Committee which will take place in Bratislava, Slovakia on Thursday 15 April 2021 (to be confirmed) at the invitation of Slovenská spoločnosť' aktuárov.

The meeting noted that 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 Insurance Committee meeting Virtual | 8 October 2020

	First name	Family name	Country	Nominating association	Role
1	Reinhold	Kainhofer	Austria	Aktuarvereinigung Osterreichs	Delegate
2	Christoph	Krischanitz	Austria	Aktuarvereinigung Osterreichs	Observer
3	Karel	Goossens	Belgium	IA BE	Alternate
4	Philippe	Demol	Belgium	IA BE	Observer
5	Daphne	Deleval	Belgium	IA BE	Delegate
6	Angel	Videnov	Bulgaria	Bulgarian Actuarial Society	Delegate
7	Yanitsa	Yaneva	Bulgaria	Bulgarian Actuarial Society	Observer
8	Mike	Poulding	Channel Islands	Channel Islands Actuarial Ass.	Delegate
9	Ksenija	Sanjkovic	Croatia	Hvratsko Aktuarsko Društvo	Delegate
10	Christos	Loucaides	Cyprus	Cyprus Association of Actuaries	Delegate
11	Miroslav	Simurda	Czech Republic	Ceská Spolecnost Aktuáru	Delegate
12	Martin	Jusko	Czech Republic	Ceská Spolecnost Aktuáru	Observer
13	Conor	O'Byrne	Denmark	Den Danske Aktuarforening	Delegate
14	Kristoffer	Bork	Denmark	Den Danske Aktuarforening	Chair IFRS17 WG
15	Esko	Kivisaari	Finland	Suomen Aktuaariyhdistys	Observer-Past Chair AAE
16	Lauri	Saraste	Finland	Suomen Aktuaariyhdistys	Vice-Chairperson
17	Matthias	Pillaudin	France	Institut des Actuaire	Delegate
18	Thomas	Béhar	France	Institut des Actuaire	Observer
19	Valery	Jost	France	Institut des Actuaire	Chair Cons. Pro.
20	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	Chairperson SII WG
21	Michael	Renz	Germany	Deutsche Aktuarvereinigung	Observer
22	Wilhelm	Schneemeier	Germany	Deutsche Aktuarvereinigung	Observer Vice-Chair AAE
23	Istvan	Kerenyi	Hungary	Magyar Aktuárius Társaság	Delegate
24	Gábor	Hának	Hungary	Magyar Aktuárius Társaság	Observer
25	Zoltan	Szabo	Hungary	Magyar Aktuárius Társaság	Observer
26	Giovanni	Sammartini	Italy	ISOA	Delegate
27	Paulius	Ptakauskas	Lithuania	Lietuvos Aktuaru Draugija	Observer
28	Evaldas	Valeisa	Lithuania	Lietuvos Aktuaru Draugija	Delegate
29	Debbie	Ramdien-Sonai	Netherlands	Koninklijk Actuarieel Genootschap	Observer
30	Falco	Valkenburg	Netherlands	Koninklijk Actuarieel Genootschap	Chair AAE
31	Mats	Sollie	Norway	Den Norske Aktuarforening	Delegate
32	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
33	Ana	Martins Pereira	Portugal	Instituto dos Actuarios Portugueses	Delegate
34	Declan	Lavelle	Rep. of Ireland	Society of Actuaries in Ireland	Delegate
35	Tony	O'Riordan	Rep. of Ireland	Society of Actuaries in Ireland	Chair
36	Florin	Ginghina	Romania	Asociatia Romana de Actuarat	Delegate
37	Mária	Kamenárová	Slovak Republic	Slovenská spoločnosť' aktuárov	Delegate
38	Aitor	Milner	Spain	Instituto de Actuarios Españoles	Delegate

39	Lutz	Wilhelmy	Switzerland	Association Suisse des Actuaires	Observer
40	Nurdan	Turkdemir	Turkey	Actuarial Society of Turkey	Observer
41	Kartina	Thomson	United Kingdom	Institute and Faculty of Actuaries	Delegate
42	Malcolm	Kemp	United Kingdom	Institute and Faculty of Actuaries	Observer Chair RMC
43	Craig	Hanna	USA	American Academy of Actuaries	Observer